THE EMPIRE CLUB OF CANADA

Founded 1903

Addresses
1998–1999

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THE EMPIRE CLUB OF CANADA

1998–1999

95th Year

HER MAJESTY QUEEN ELIZABETH II
AND PRINCE PHILIP

THE
EMPIRE
CLUB
OF CANADA

Founded 1903

Addresses
1998–1999

GOD SAVE THE QUEEN

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The Empire Club of Canada

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Toronto, Ontario M5J 1E3
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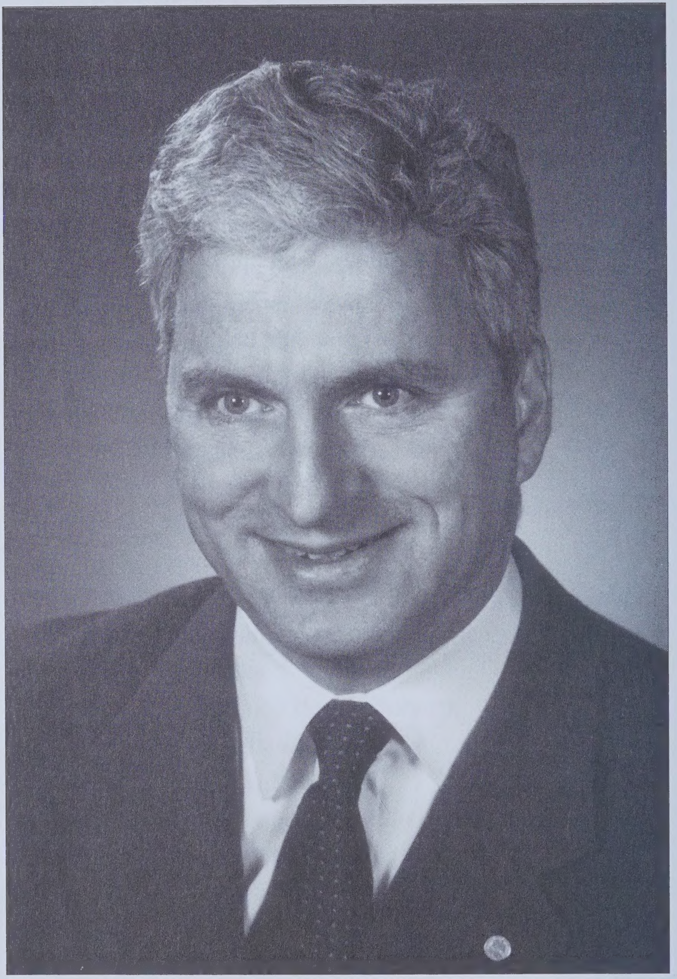

George Cooke
President, 1998–1999

The Empire Club of Canada
PRESIDENT'S FOREWORD

This was a very successful year for The Empire Club of Canada. Despite the fact that there are many other means through which information is being obtained, Canadians continue to want the experience of listening to good speakers who present information which is relevant. This, and the conscientious support of many volunteers and supporters, makes the club what it is today—the most successful speakers' forum of record in North America.

This book contains many treasures and words of wisdom which can be fully appreciated only as time goes by.

I extend very special thanks to our speakers and to all who work tirelessly and give their lime freely to help The Empire Club of Canada to be prosperous and successful. My year as President was more enjoyable because of you.

George L. Cooke, President 1998–99

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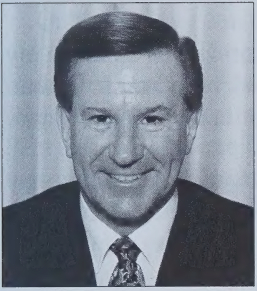


May 7, 1998

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Ernie Eves

Deputy Premier and Minister of Finance

THE ONTARIO BUDGET

Chairman: **Nalini Stewart**
President, The Canadian Club of Toronto

Head Table Guests

David A. Edmison, Director, Martin, Lucas & Seagram and a Past President, The Empire Club of Canada; The Reverend Dr. John Gladstone, Minister Emeritus, Yorkminster Park Baptist Church; Bette M. Stephenson, O.C., M.D., FCFP(C), OStJ., President, Gwillimbury Foundation for Post Secondary Education and Chairman, Learning Opportunities Task Force; David Shannon, Lawyer, Norman T. Lee Law Offices, Thunder Bay; Rosalind Morrow, Partner, Borden & Elliot; Rich Richardson, President, High Road Foundation; Nancy Lockhart, Advisor, Frum Development Group, Chair, Ontario Science Centre and a Director, The Canadian Club of Toronto; Mary McConville, Executive Director, Ontario Association of Children's Aid Societies; Robert Hutchison, Partner, Borden & Elliot; and George L. Cooke, President and Chief Executive Officer, The Dominion of Canada General Insurance Company and President, The Empire Club of Canada.

Introduction by Nalini Stewart

It seems that it has become a tradition for me to make my first post-budget speech here at the combined luncheon of the Canadian and Empire Clubs; it is a tradition I quite enjoy.

Many of the initiatives in the budget on Tuesday may have been a surprise to some people; they shouldn't have been.

"Our goals have always been straightforward: to build a climate where jobs and prosperity are available equally to all people, to maintain the quality of life that we enjoy in Ontario and to ensure a healthy and secure future for our children, a future full of hope and opportunity." Those are the words of Premier Mike Harris. These are the things that we talked about in the Common Sense Revolution; these are the promises we made when we came into government in 1995; and these are the commitments I have delivered on in every budget since. Tuesday was certainly no exception.

My announcement of an additional 36 tax cuts brings to 66 the number of tax reductions in the past three years; the acceleration of both the final phase of the Personal Income Tax Cut and the final phase of the Employer Health Tax Cut to July 1, 1998. Our commitment to cut the small business tax rate in half and our growing investments in priority services like health care and education are measures that further deliver on our promises. They are also creating a lot of buzz across Ontario right now—from Main Street to Bay Street.

Of course, every year around this time there is a lot of number crunching and a lot of talk about things like tax rates, economic indicators, GDP growth and deficits. Leading up to, during and following every budget the media is full of calculations, speculation, and thankfully these days, even some adulation. Journalists, economists, academics and, of course, critics all join in.

Quite frankly I can't blame them. In the last three years we have given them a lot to talk about. Since 1995 Ontario's economy has consistently performed ahead of the rest of the country. Between February 1997 and February 1998 alone, 265,000 net new private-sector jobs were created in Ontario—the largest number of new jobs ever in a 12-month period. In the first quarter of this year the Ontario economy created jobs at a rate unequalled in 15 years.

Retail sales are up by an additional 10 per cent so far in 1998 and consumer confidence has increased for the ninth straight quarter. In 1997 the Ontario economy expanded by 4.8 per cent and private-sector forecasters predict growth of another 4 per cent in 1998. Over the next three years, the Ontario economy is expected to grow faster than that of any G-7 industrialised nation. All of this while staying on course to balance the budget as promised in the year 2000.

In the wake of Tuesday's budget the consensus is that the economic momentum created in the last three years will continue to have a positive impact on our economy in terms of future growth, investment and Ontario's balance sheet. But it is the impact that this momentum is having in terms of individuals and families in communities all across Ontario that is, in my view, the most important part of the equation. Improving the lives of those individuals and families has always been my priority since entering public life over 17 years ago.

Ontario's renewed economic momentum has allowed us to make major new commitments to children and families:

- to provide child-care support for half a million children.
- to provide health care that ensures that not only are services available when required today, but

also that the system is able to respond to the needs of tomorrow.

- to flow additional money into classrooms all across the province, funding textbooks and technology for our elementary students.
- to assist hundreds of thousands of post-secondary students obtain an education—an education that many would otherwise not receive.
- to provide support for small business, invest in growing and emerging sectors of our economy to keep Ontario competitive into the 21st century and eliminate barriers so that all Ontarians can contribute to, and benefit from, a more prosperous Ontario.
- to invest in today and prepare our province for a prosperous tomorrow.

Leading up to this year's budget I met with hundreds of individuals and organisations to discuss the measures we have taken to date, and to consider new ways for our government to effectively deliver on the commitments we made to the people of Ontario. I met with some people that may not normally be part of the budget process. Tuesday's budget clearly reflected those discussions. Ontarians told me they want an Ontario where priority services are protected and investments are made to ensure they are able to meet the changing needs of people all around the province.

In Tuesday's budget I reiterated our government's commitment to protecting and enhancing priority services. Despite the fact that the federal government has dramatically reduced funding for health care the Ontario government is improving the services that people have now and expanding those they will need in the future. This year's allocation of $18.5 billion operational funding is more than any Ontario government has ever spent on health care. Our financial commitment to hospital restructuring and improving technology along with additional funding for community-based care will mean improved health services and jobs for health-care workers. The recently announced increase in senior care beds will lead to the creation of 27,500 nursing, personal-care, and other health-care jobs and over 42,000 construction jobs.

Ontarians told me they want a province where all children, no matter where they live, can take advantage of the opportunities being created. We have continued to invest in children and in families to ensure that they do. The 30-per-cent Personal Income Tax Cut assists working families at the modest end of the income scale. In fact, those are the families that are receiving the largest percentage of the benefit from the tax cut. Through enhancements to the Ontario Tax Reduction Plan that I announced on Tuesday, 70,000 additional Ontarians will have their income tax eliminated and a further 290,000 taxpayers will have their income tax reduced in excess of 30 per cent. In addition to these measures we are providing relief to working families through additional support for child care. Under our plan modest- and middle-income working families would receive a new Ontario Child Care Supplement. This supplement combines the $40 million Child Care Tax Credit announced in last year's budget with $100 million in 1998–99 for an investment of up to $1,020 for each child under age seven. Next year we will invest more than $200 million in this important programme. We are encouraging businesses to support working parents with young children by offering a new 30-per-cent Workplace Child Care Tax Deduction for the capital cost of building or expanding child-care facilities or for contributions to facilities in the community that care for the children of working parents. Combined, these child-care initiatives will assist almost 450,000 children—tripling the number who benefit from current child-care funding.

You will recall that last year, in addition to tax cuts for working families and child-care funding, I spoke to you about increased support for speech and language services for Ontario children, protection for children at risk, and enhancements to enforcement measures against delinquent parents. In this year's budget we have continued to build on those important initiatives. This year I again sat with Mary McConville, Executive Director of the Ontario Association of Children's Aid Societies. Mary, like Janet Ecker, has a very sincere and dedicated approach to helping society's most vulnerable citizens. I share that concern. Recently, I read a simple but shockingly effective book, "A Child Called It," by David Peizer. David was an abused child who survived to become a leading example and motivation to thousands of abused children. Unusual reading for a Finance Minister in the Mike Harris government? I don't think so. Mary McConville has impressed on me the need for more child protection staff and that increased funding for training of front-line workers and revitalised foster care would benefit children and families around the province.

In this budget we responded by providing $170 million of additional funding for Children's Aid Societies over the next three years to help the most vulnerable children in society. We are also investing $10 million into the Healthy Babies, Healthy Children Program in 1998–1999. This funding will be directed to screening all newborns, identifying those at high risk and ensuring they receive community services. The amount will grow to $50 million annually by the year 2000. We are directing significant funds to our children's classrooms by providing double the amount of money for textbooks and other learning materials for elementary students—an increase of $100 million and double the grants to school boards for math and science tutors. We are also investing $1 billion each year in a separate envelope for Special Needs students and $130 million over the next two years with private-sector partners to strengthen the Internet networking of our education system and promote lifelong learning. We will build on the federal government's Millennium Fund through the establishment of a new student assistance programme designed to meet the needs of Ontario students and to limit student debt. We will do this by combining Ontario's share of the $1.2 billion fund with both federal and Ontario spending on student loans to create a new Canada-Ontario Millennium Fund for students that will invest more than $9 billion in student assistance over 10 years. This programme will address all elements of student assistance.

Not all of our young people receive the same encouragement to stay in school. For these young people opportunity is limited. Rich Richardson who joins us here today knows that all too well. Rich is a volunteer director of, and a driving force behind, the High Road Foundation—a very innovative organisation that is looking at ways to keep more youth in school. Rich participated in our pre-budget consultations on behalf of the High Road Foundation because he believes that by working together we can make a real difference in the lives of thousands of youth by encouraging learning today and jobs in the future. We support these goals and our government committed on Tuesday to funding the Foundation's pilot project to look at ways of keeping more of our young people in school. Ontarians told me they want jobs for our youth. Preparing today's youth for tomorrow's jobs was an important part of last year's announcement of major investments into research and development and the high-tech sector. In the last 10 years two out of every three new jobs in Ontario have been created in the knowledge- and technology-based industries. This year's budget continues to support our initiatives in that growing area.

Following on the successful partnership for a world-class animation, communications and design programme at Sheridan College, I committed $10 million this year to four more projects that will enhance strategic skills training at Georgian College, Humber College, Conestoga College and at the Canadian Film Centre.

Our government has also allocated $150 million over the next three years to implement a special Access To Opportunities Program, enabling twice as many students to enroll in computer science and high-demand engineering programmes. We are asking industry to join us in this initiative by matching start-up costs.

We are encouraging innovative uses of the information highway through the extension of the Telecommunications Access Partnerships Program by investing another $30 million over the next three years.

In addition to these investments in tomorrow, we are taking action to strengthen training in the workplace today by overhauling apprenticeship programmes, establishing internships and encouraging on-the-job training. We are asking the federal government to join us in this made-in-Ontario workplace training and employment plan to direct $9.5 billion to Ontario's priorities and provide opportunities for 750,000 Ontarians per year.

We will continue to encourage job creation by cutting the small business tax rate in half over the next eight years and enshrining this tax cut in legislation to ensure planning certainty for the small business sector. We will also live up to our commitment to cut above-average business property taxes. Provincial business education taxes will be cut by $500 million from current levels starting with a $64-million cut this calendar year. Together with the private sector we will keep Ontario competitive now and prepare our province for the 21st century.

Society benefits most when all of its members are given an opportunity to contribute to and share fully in Ontario's prosperity. That is why we are breaking the cycle of dependency that has trapped too many Ontario families. The reforms we have already made to the welfare system have resulted in a 20-per-cent decrease in caseloads. Since 1995, more than a quarter of a million people have returned to the work force and now contribute to their communities.

But while our reforms have helped scores of families province-wide to date, there are still too many families who need help breaking the cycle of dependency; too many who need to be given hope, dignity and opportunity. We are determined to help them. Through our $25-million investment in the Learning Earning and Parenting Program for child-care subsidies and other supports, single parents on welfare will be given the opportunity to finish school. An additional $10 million will be invested to assist participants in Ontario Works, with child care.

We are also removing barriers that have been keeping people with disabilities and other Ontarians from achieving their goals and participating in the work force. We will do this through the introduction of the Ontarians With Disabilities Act. My good friend and colleague Isabel Bassett has been an outspoken and effective advocate ensuring that we take action on this important initiative and others to give Ontarians with disabilities the opportunity and dignity they deserve as contributing members of society. We are doing this by implementing the Ontario Disability Support Program that aids in removing people with disabilities from the welfare rolls and increasing accessibility to employment, health services, education and training. On Tuesday we introduced a tax incentive to support the efforts of businesses to accommodate people with disabilities. This action will assist as many as 10,000 businesses each year in providing access by allowing them up to $50,000 for workplace accommodation for each hired person with disabilities. We also proposed the extension of the retail sales tax rebate for personal-use vehicles purchased to transport people with disabilities.

I would like to take a moment and introduce you to David Shannon who is an inspiration for all individuals who face barriers in our society. David is a lawyer and graduate of the London School of Economics. Following an accident in 1981 David has been a paraplegic. That, however, has not stopped him from achieving his goals and, in fact, he has been recognised with the "Courage to Come Back Award" for his efforts on behalf of people with physical disabilities across the country. People like David are helping to remove barriers for Ontarians with special needs every day. We commend David's courage and we will continue to support this cause.

There are other barriers—many that you cannot see—that inhibit Ontarians from reaching their full potential. You will recall that last year I announced that Dr. Bette Stephenson had been tasked with the development of a $30-million programme to assist students with learning disabilities make the transition to college and university. Thanks to the hard work and dedication of Dr. Stephenson, who joins us here today, the Minister of Education will be announcing details very shortly of a programme that will involve nine pilot projects and will assist approximately 400 students per year gain access to post-secondary education. Among the institutions selected are York University, the University of Guelph, Cambrian College and an innovative partnership among our three French-language colleges. Nine colleges and four universities are participating. I cannot say enough about Bette Stephenson's dedication to the young people of our province not only during her tenure as Minister of Education but indeed throughout her life. This initiative is no exception. Because of the determination and leadership she has shown in this project she has opened doors for hundreds of tomorrow's leaders—doors that until now were closed on these students.

There are many individuals and organisations across the province that are committed to working towards a better Ontario. Our budget and all of the actions we have taken to create a strong economy and a dynamic society support their goals. By cutting taxes and promoting job creation in the private sector, while at the same time tackling the deficit in our province, we are indeed creating the confidence and momentum that will allow Ontario to continue to be a leader in economic growth well into the 21st century. By investing in our children, in health care and education, and by creating opportunity for everyone equally, we are ensuring that this growth is translated into a better today for families across the province and a more prosperous tomorrow for our children.

In the words of John F. Kennedy: "Wealth is the means and people are the ends. All our material riches will avail us little if we do not use them to expand opportunities for our people."

So ladies and gentlemen, while at budget time there is a great deal of focus on economics and number crunching the budget was in fact, about people. People who want to work hard, raise their families, contribute to their communities and enjoy a quality of life unrivalled anywhere in the world. We promised an Ontario in which they could do just that and we are delivering on our promise.

Thank you.

The appreciation of the meeting was expressed by George L. Cooke, President and Chief Executive Officer, The Dominion of Canada General Insurance Company and President, The Empire Club of Canada.

May 8, 1998

Anthony Taylor

Director of Wellington Underwriting, plc
Lloyd's of London

THE Y2K PROBLEM

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Ann Curran, Third Vice-President, The Empire Club of Canada and Partner, Lewis Companies Inc.; The Reverend Dr. A. Leonard Griffith, Honorary Assistant, St. Pauls, Bloor Street; Marty Venalainen, OAC Student, Humberside Collegiate Institute and President of Toronto Association of Student Councils for 1997–98; Ken Mead, Managing Director, Guy Carpenter & Company; Don Smith, President, Canadian Insurance Consultants; Audrey Burke, Director, Year 2000 Project, The Toronto Star; John Holding, Q.C., Senior Partner, Borden & Elliot; Gareth Seltzer, Past President, The Empire Club of Canada and Vice-President, Private Wealth Management, Guardian Capital Advisors; Robert Dechert, First Vice-President, The Empire Club of Canada and Partner, Gowling, Strathy & Henderson; and Bill Laidlaw, Second Vice-President, The Empire Club of Canada and a Director, Government Relations, Glaxo Wellcome Inc.

Introduction by George L. Cooke

The Year 2000 issue, or the Millennium Bug as it is called, derives from the inability of computers or devices driven by computer software programmes to recognise dates after December 31, 1999.

While the problem is a simple one to understand, it is enormous in scope and fixing it will be complicated and very expensive. Software programmes consist of millions of lines of code; the cost of rewriting one line of code is currently approximately US$1. The magnitude of this problem is made greater in that much of this work is “old world” work, not productive, and not exciting to many of our recently skilled and very creative graduates of computer science programmes.

The issue for all of us is not just our own software and its ability but rather the software and ability of anyone and everyone that we do business with.

I am very pleased that Tony Taylor has agreed to address our Club. Tony is a senior reinsurance underwriter in the Lloyd’s market. More importantly, for us today, from what I can make out, he is the person at Lloyd’s who best understands the broad business issues around the Year 2000.

Tony started his insurance career in 1963 and joined Lloyd’s in 1977. In 1983 he founded the syndicate A. Taylor & Others, which has become one of the top 10 syndicates in Lloyd’s, in terms of both size and financial performance. In November 1997 he assumed the additional responsibility of Underwriting Director for the Wellington Group. Wellington is one of the largest businesses operating in Lloyd’s and represents an underwriting capacity of over $1.2 billion.

Outside work Tony is well known for his taste in fast horses and good wine. More amazing is his remarkable ability to play golf badly and yet profitably.

Mr. Taylor, with our sincere thanks for being here today, the microphone is yours.

Anthony Taylor

Good afternoon ladies and gentlemen.

Thank you George for your kind words and for asking me to talk today in front of such a large audience on a subject which I, along with 99.99 per cent of the world’s population, knew absolutely nothing about 12 months ago.

Before getting into my presentation I would just like to explain that most of my comments will relate to examples from the U.S. rather than Canada where I am afraid there is a lack of published data.

I would like to talk to you today as a computer systems amateur. In fact most of the people in my company would regard me as a veritable luddite on the subject. My interest is purely mercenary in that as an underwriting member of Lloyd's, with unlimited liability, I am exposing my personal wealth should Y2K rebound upon the insurance community. As you are well aware personal money is significantly more important than corporate money. So my address today will be at a practical layman level and I am sure you will not be tested by my technical prowess.

Although the vast majority of you here today are no doubt fully up to speed with why we are facing this phenomenon, for the sake of those few who are not quite so advanced I would like to explain how the Y2K problem has arisen. In the 1960s and early 70s when computer systems were advancing to the extent that they started to replace existing manual systems, it was apparent that computer memory size and processing capacity was very limited and expensive and thus any shorthand method of representing data was advantageous. Recording of calendar dates in almost all businesses is an important and repetitive function and thus to express the 8th May 1960 as 08.05.60 rather than 08.05.1960 saved two digits in recording and thus made available extra space for other data. I am assured it was appreciated that a problem would arise when the Year 2000 was reached but that was 30 or 40 years away. Computer technology was developing at an accelerating rate so by the time you got near to the Year 2000 there would not be a problem because everyone would have switched over to super-duper advanced systems. So clearly, the economic decision, consciously made, was to save time and money by shaving two digits off the date code.

I suspect almost all non-technology-minded management since the 1970s were not made aware of this little wrinkle. When faced with the decision of upgrading their systems capacity rather than replace software by a completely new system, in the interests of economy they would often prefer to adapt an existing programme leaving the core criteria unaltered—a so called legacy system. The longer they left upgrading the system as a whole the more difficult it became to move away from their tried and tested facilities.

Now by using only two digits to indicate the year you can see a problem arises when you reach the millennium. The system cannot recognise the three-digit number which would be a natural change from 99 to 100. The Year 2000 which will show up as 00 can only be interpreted by the system as part of the existing sequence of numbers and therefore read as 1900 or possibly the date that the programme was first written, say 1970 or possibly any random date in the century. Thus, any transaction process which incorporates a date after 31st December 1999 will be incorrectly interpreted. A real life example in the U.K. related to a computer-controlled warehouse where, in the normal course of events, stock which has reached its sell-by date is automatically rejected and sent for destruction. In this specific case new goods were delivered to the warehouse registered with an end date in the Year 2000 and thus notated as 00. Those goods were subsequently rejected as being out-of-date because the computer system recognised the end date as having expired. It does not take much imagination to realise the potential problems that can occur in financial service companies in the recording of account balances and interest earnings in these circumstances.

To make life more complicated it is not just 31st December 1999 which will raise problems, but there are other problem dates, for instance the 29th February 2000. In the normal course of events the first year of each century is not recognised as a leap year; however, if the century is divisible by 400 then the leap year will apply. Some computer programmes may well not recognise 2000 as being a leap year. An example of the problem this may cause can be seen in a situation in New Zealand which occurred in 1996. An aluminium smelting factory had a computer system which failed to recognise the 366th day of the year and thus all processing systems automatically cut out at midnight 30th December. Unfortunately, at that time bauxite was being smelted and the shut down of systems caused the molten aluminium to solidify thus causing terminal damage to the smelting pot.

My comments so far relate to mainframe computer systems and it is in this area the world is concentrating to rectify non-compliant systems. However, as our technological age has developed we have become increasingly dependent upon embedded systems, that is software wrapped inside hardware devices, which are used to control the operation of machinery and equipment, otherwise known as microprocessors or microchips. Not only are these chips embedded in manufacturing systems but also they are endemic in office and consumer products and almost any item in our society which performs a specific electronic or movable function. These microchips operate on various bases. Some have no date control, others have operational cycles such as "do X every 100 days," whilst others operate on a continuous clock basis like regular computer systems and only those manufactured in recent years have a four-digit year designator.

Some chips are programmed to operate until a fixed period has elapsed after date of installation. At that time the chip's internal clock will revert back to the original start date. An example is the Geographical Positioning System, GPS, which is used by aircraft and ships for accurate position findings. Some 132 days before the turn of the century the GP system date will change at midnight from the 22 August 1999 and revert back to the 6 January 1980, as the maximum time period will have elapsed. However do not worry, because the U.S. Department of Defence asserts that the space and ground control segments will be compliant by mid-1999.

The world being what it is, there are of course two extreme schools of thought about the impact of Y2K on society. On the one hand there are the gloom-and-doom merchants and on the other there are those who say this is just hype.

An article by a software engineering professor of London University recently partly supported the latter view when saying: "We are being assailed by a barrage of dire warnings about this bug. Banks will fail, people will die in hospitals, household electronic goods will become unusable, cars will not start, planes will drop out of the sky. Most of these stories are the result of irresponsible scaremongering. Worse, they are scares deliberately distributed by consulting firms and others with an interest in millennial angst. Most of the extreme cases are urban myths." However, he then went on to say: "Some organisations face problems because they failed to invest in software engineering over a long period. They are seeing their chickens come home to roost. For these organisations, which treat the millennium as a malevolent trick played by a cruel deity, I feel very little sympathy." I fear governmental bodies all round the world, be they national, state, provincial or municipal and always short of long-term investment may fall under this category.

However, if you believe there really is no problem ask yourself the following question. Why are companies such as Citicorp and General Motors, organisations which are highly sophisticated in the state of their information system, budgetting $600 million and $500 million respectively for compliance costs? They don't spend that sort of money on a 'maybe' or chasing ghosts. That money is being spent to ensure that their information systems are as good in 2000 as they are in 1999. It will not necessarily provide any enhancement in their capabilities; if you like it's dead money but an awful lot of it.

They have to be sure that come the Year 2000 they will have unimpaired operating systems and not be at a serious commercial disadvantage to their competitors with all the implications that would have on their reputation and share price.

In the 1970s oil was the scarce commodity; those countries who produced it were in good economic shape; those who had to import it paid through the nose and were in trouble. In the year 2000 we can view information as being the scarce commodity. If you can access information you will be able to walk over those who failed to address the problem and the only way to address the problem is with labour, money and lots of time.

In 1996 a U.S. Life Company identified 150 million lines of data that needed vetting to correct date codes. The cost was $1.10 per line i.e. $165 million. This work is labour-intensive and with the scarcity cost of trained I.T. labour it is estimated the price may rise up to $6.70 per line in 2000.

As of just over one year ago 80 per cent of Fortune 500 companies in the U.S. had yet to commence compliance efforts and as of today only 17 per cent have completed their projects. A recent Canadian survey I believe identified over 50 per cent of companies were taking no corrective action.

Moving to gloom-and-doom predictions, Gartner Group estimate the global cost of compliance at $600 billion. Merrill Lynch are at $1 trillion including legal defence costs after the event. To put this in perspective, the cost of the Vietnam War has been estimated at $500 billion for the U.S.

We have all seen the stock markets in the western world climbing to unheard of levels in the last few years. What will happen to the highly priced stock market if confidence is shaken in a company's abilities to maintain growth projections?

There is a good chance that there will be a failure in computer systems of various U.S. government departments. Each week, the federal government sends out $32 billion in social security, payroll cheques and other housekeeping payments. What happens to the economy if it is deprived of this income injection if only for a few weeks? Already there are estimates that economic growth in 1999 will slow down by 0.8 per cent because of the diversion of investment into fixing Y2K problems.

So now let's look at the position of the insurance industry in this environment. Why should insurance, designed to respond to accidental losses, be concerned about losses resulting from a 40-year-old, consciously made, economic decision to save time and money by shaving off two digits from a computer date code? Well, I hold in my hand a copy of an article published by a law firm, and it is not unique. This paper is headed: "The Y2K Time Bomb—Run for Coverage," with an accompanying quote: "Up to three-quarters of companies would have legitimate grounds for claiming compensation for Year 2000-related losses under their all-risks policies." This paper has been published two years before the predicted great event and gives a child's guide on how to pursue claims under various policy forms. Despite the lack of any factor demonstrating Y2K to be an insurable "accident" of any kind, it would appear some interested parties are lining up the insurance industry to pay for some or all of the problem.

In California legislation was recently introduced and rejected, although I fear not for long, to limit the exposure of the computer hardware and software companies to lawsuits related to Y2K. Supporting documentation included the following: "Proponents of the measure, primarily Silicon Valley companies and associations, say it will motivate computer companies to fix problems while also protecting California's technology-driven economy from a rash of crippling lawsuits." That all sounds very reasonable to me! Given the clout Silicon Valley companies wield in California, it is hardly surprising.

Meanwhile in various U.S. states there are legislative proposals to give state government additional immunity from lawsuits, presumably because they stand no chance of being compliant by the due date. No public outcry is to be expected, since taxpayers will ultimately be forced to pay in the absence of governmental immunity. So as two deep pockets run for another form of cover it looks as though insurers may be targeted to recompense Y2K sufferers. One should not expect any public outcry on behalf of insurers, until it becomes apparent that, like the taxpayers who ultimately bear the government's burden, it will inevitably fall to policyholders to bear the burden in terms of higher premiums if insurers are forced into the Y2K arena. Targeting Y2K losses against insurers does however pose one major problem for would-be gold diggers—the sum total of the capital and free reserves of the non-life insurance and reinsurance world markets is less than the lower end of the Y2K global cost which I have previously quoted. Or put simply we don't have enough money.

The insurance industry has faced problems of enormous magnitude in recent history related to wide-spread losses from generic causes e.g. asbestos and pollution. These were losses which became apparent to insurers after the event, sometimes 30 or 40 years after the asbestos fibres were released into the air, or the hazardous waste seeped into the ground water. Inevitably insurers were called on to pay for these losses. The effect on our industry has been substantial including many liquidations and just a tad of impact on Lloyd's. Aggressive lawyers seeking a "deep pocket" to bear the enormous projected Y2K costs are viewing Y2K as a potentially similar generic cause-insurable event; however, there is very little about Y2K which is insurable.

Insurance is a promise to indemnify a policyholder from defined consequences of a fortuitous event, that is an unexpected accidental occurrence, in return for the payment of a premium. The manner in which insurers are able to provide adequate security to the policyholder is to create a capital base by "spreading the risk" of losses among several policyholders. Historical data is compiled so that losses can be forecast as accurately as possible. The losses of the few are then borne by the premium pool of the many. Thus, adequate security for losses is provided.

In the case of Y2K we have a unique situation where not only do we know how an event is going to happen but also, within a short time scale, when. This differs somewhat from basic insurance where numerous policyholders fund an insurance pool to cover the losses of a few, which may or may not occur during a given annual period, caused by one of the various perils insured.

The Y2K risk I believe will be so pervasive that one cannot depend upon spread-risk criteria to balance our books. Given the magnitude of the problem, the fact that it will occur roughly during the same time period and is avoidable largely by the insured's own initiative (if it invests the time and money necessary) it is easy to see how difficult it would be to attempt to create an adequate "pool of insurance" to provide security through traditional insurance. All of these factors negate underwriting this risk on a sound basis. Add to this an absolute lack of historic data on which to build a valid insurance price and you can see how difficult our position becomes. It would be deceiving our clients for us to offer a product which we cannot rate and more importantly do not have enough capital to support our commitments.

As we have already seen arguments are being made that Y2K coverage is already included within the insurance market's standard products. I do not believe that to be the case since we are dealing here with a totally new phenomenon which was not previously envisaged by insurer or insured and certainly no premium has been built into the insurance price to cover the risk. All the perils we cover under insurance products conform to the test of fortuity. With Y2K, as I have said before, we know it will happen, when it will happen and how it will happen. No one would insure a burning house. Why should anyone insure Y2K?

So having listened to my philosophical ramblings let's look at what action the insurance markets have taken or are proposing to take. These actions fall under four broad headings:

a) Full exclusion.
b) Limited exclusion.
c) Totally ignoring the subject.
d) Offering specific millennium products.

Dealing first with the full exclusion. This path has been taken with respect to certain classes of business and high-risk occupations covered by standard products such as commercial fire or errors and omissions. Here the market believes the risk is so great that it cannot be underwritten under existing products, be it a failure of the computer system or a loss from other perils consequent upon that failure; for example an explosion in a petrochemical plant caused by a breakdown of computer controls which results in the release of explosive gases.

Second—the limited exclusion. Here losses are excluded as a result of the failure of a computer system but cover is given for losses caused from other defined perils which have been exacerbated by the failure of a computer system; for example, a fire loss at a factory which is exacerbated by a Y2K-related failure of the computer controls of the sprinkler system. This limited coverage indemnifies policyholders for losses caused by a standard peril, i.e., in this case fire, but it would exclude repair costs to and remedial costs of the failed electronic system and any business interruption losses directly related thereto. The Insurance Services Office in the U.S.

(ISO) and the Association of British Insurers in the U.K. (ABI) have both prepared wordings of this type as have some of our Lloyd's Associations and some Canadian Insurers.

The third route of do nothing stems from the fear that taking affirmative action to exclude implies existing covers already include the Y2K peril. Alternatively, it may be the insurer is more scared of the volume of business it will lose if it tries to take corrective action—the more likely reason.

Finally, we have a limited number of specific products selling millennium cover in the professional indemnity area. These come in two forms. The first is to charge a very high premium, possibly up to 80 per cent of the policy limit, but offer to return a large proportion thereof in the event of there being no claim. Strangely this has not been very attractive to clients. The other route is using more traditional principles but severely limiting the scope of the coverage given and requiring an assessment of each insured by a professional auditor to ensure Y2K compliance. The premium here is not as high as in the first example but certainly well above that which would normally be paid for standard coverage and the jury is out as to whether it will prove popular.

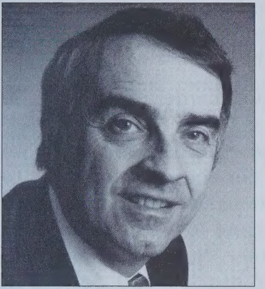
Time is running out not just for industry in general as they realise the implications of the Y2K phenomenon, but also for the insurance industry in deciding what underwriting approach to adopt. There will be some very hard decisions to be made during the course of the next six months balancing risk appetite against the potential risk of losing large volumes of business because of competitive issues. Each insurer I am afraid has to make up his own mind.

How ironic it is that the economic decision to delete two digits from the date code in the computer programmes, which was taken 40 years ago, in order to save time and money has now rebounded upon the world with unknown consequences. There may not now be enough time and money to fix it. Much as we secretly believe there is a silver bullet which will solve all our problems, I regret everything I have read to date suggests that this is an impossibility.

Thank you for listening to me and perhaps I can leave you with one further warning. There is a distinct possibility that if we are still using today's Windows, DOS and Unix-based systems in 40 years' time, there will be another date problem. The problem is that on 19 January 2038 at 3:14:35 a.m., the number of seconds since January 1970 will exceed 2,147,483,647. This is the largest number that can be stored in a 32-bit processor, used commonly for storing time information in the aforementioned systems. Of course, we won't he using them then... will we?

The appreciation of the meeting was expressed by Ann Curran, Third Vice-President, The Empire Club of Canada and Partner, Lewis Companies Inc.

Russ Merifield, an Honorary Life Member, The Canadian Club of Toronto and past Executive Director, Ann Curran, a Partner of Lewis Companies and Third Vice-President, The Empire Club of Canada, Dr. Roseann Runte, President, Victoria University, Gilles Duguay, Canadian Ambassador to Romania and Peter Munk, Chairman and CEO, TrizecHahn Corporation and Chairman, Barrick Gold Corporation.



May 21, 1998

Stephen Quinlan

President, Seneca College of Applied Arts and Technology

THE BUSINESS OF EDUCATION: A LOCAL AND GLOBAL ENTERPRISE

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Douglas Todgham, Vice-President, The Canadian Institute for Advanced Research and a Director, The Empire Club of Canada; Rev. Dr. John Niles, Minister, Victoria Park United Church; Hazel Ann-Marie Williams, OAC Student, Haydon Park Secondary School; Gail Regan, President, Cara Holdings Limited; Marilynn Booth, Dean, Continuing Education Division, Ryerson Polytechnic University; Harry Seymour, Executive Vice-President, GBC Asset Management Inc. and a Past President, The Empire Club of Canada; John Farrell, Chairman, Ontario Council of Regents; The Hon. Dave Johnson, Minister, Education and Training; Doug Walker, President, Silicon Graphics; Veronica Lacey, Deputy Minister, Education and Training; Milenko Skoknic, Consul General, Trade Commission of Chile; John Honderich, Publisher, The Toronto Star; Courtney Pratt, Chairman, Noranda Inc.; and Edward Badovinac, Professor, Electronics Department, Telecommunications, George Brown College and a Director, The Empire Club of Canada.

Introduction by George L. Cooke

An employer, interviewing an applicant, remarked: "You ask high wages for a man with no experience."

"Well," the prospect replied, "it's so much harder work when you don't know anything about it."

A highly skilled, educated, motivated work force is something we can likely all agree is very important. As our economy continues to expand aggressively and hundreds of thousands of new jobs are created, there is arguably no better time for post-secondary institutions and business to work together. Not to take anything from government, we need focus, facilitation and dollars in classrooms, but not much more. It should be clear to those outside government that opportunities exist and what we need is a framework in which to recognise those opportunities.

I'm old enough to remember the original thrust for the establishment of community colleges. If that startles you, I am also young enough to have just experienced my son recognising the obvious advantages of junior kindergarten. Our education system is complex with many important parts, pressures and opportunities and, although we have all experienced some part of it, it is still relatively immature and very much in need of focus.

Stephen Quinlan is President of Seneca College, Canada's largest community college, serving a student population of some 100,000 full- and part-time students. Having joined Seneca College in its formative days, helping to shape the direction of vocational education in the community college system, Mr. Quinlan was appointed President in 1992. Previously he held several deanships in various faculties of the college as well as vice-president and senior vice-president roles. During Mr. Quinlan's tenure, Seneca College has developed a strong international presence providing educational opportunities and contract training to governments, international companies and to students from countries around the world.

Seneca's recent international activities span joint-venture agreements in the Pacific Rim, Mexico and South America including Chile, Argentina and Brazil.

As a result of Mr. Quinlan's initiatives, Seneca has linked several Canadian corporations to global opportunities. He is actively working on behalf of the Ontario government to expand Ontario's international trade potential with his recent appointment to the Ontario National Trade Corporation Task Force on Export Marketing.

Mr. Quinlan also recently participated in the federal government's Team Canada trade mission to Asia and Latin America led by Prime Minister Chretien. He has worked extensively for the United Way of Metropolitan Toronto and York Region.

Mr. Quinlan will outline today what it will take to secure a highly skilled, educated, motivated work force.

Mr. Quinlan, with our sincere thanks for your being here, the microphone is yours.

Stephen Quinlan

Good afternoon ladies and gentlemen, colleagues and friends, and thank you for this opportunity to address the members of the Empire Club. I believe I am the first college president in Ontario to have this honour. I certainly hope I won't be the last.

I am delighted to be joined at the head table by so many distinguished friends and business partners of the colleges. These are people with whom we have built strong and rewarding working relationships, people who know a lot about what the colleges are doing. These people, like many of you, are the type of people who will help the colleges respond to the challenges inherent in this month's provincial budget announcement.

But there may be some of you out there who are wondering why the president of a community college is standing here addressing a business audience. Some delegates on the recent Team Canada mission to South America also wondered what a college president was doing there. As Milenko Skoknic, the Consul General, Trade Commission of Chile, can confirm, I was doing business—and probably signing more contracts with influential Chilean business people than many of the industry representatives on the mission.

On the first day of the Ontario trade mission in April '97, Bill Saunderson, MPP and delegation leader, then Ontario Minister of Economic Development and Trade and Tourism, asked me what the fit was between education and trade promotion. Towards the end of the trip, when Seneca's breakfast sessions outdrew the number of business people attending some of MEDTT's own events, it became pretty clear just how important education is to South American business interests and to future trade relations. We take Ontario's educational system for granted. In many trading nations there is no parallel, and we all know you can't conduct business without a trained and highly skilled work force.

There probably isn't a person in this room who hasn't had some connection with one of the 25 Colleges of Applied Arts and Technology, or Community Colleges as our institutions are better known. Perhaps you are a graduate of one yourself, or possibly you have a son or daughter in one of our programmes. Perhaps some adult family member is taking a course at one of the 200 college campuses across the province. Or you are in a business that relies on our customised training programmes to keep your work force current and ahead of the technology curve.

The colleges have a strong presence in the lives and communities of Ontarians. A recent independent survey found that 43 per cent of Ontario's population had either used, or had a family member who attended an Ontario College of Applied Arts and Technology. To illustrate the reach and presence of our institutions, just consider these additional facts:

- Every year, one million Ontarians come into contact with a college through some form of training programme or continuing education course.
- Since 1967, the colleges have graduated a half million highly employable people who enter the work force and start making an immediate contribution.
- There are some 10,000 business people and community members who volunteer their time and talents to the programme advisory committees that assist the colleges in developing their courses.

- And let's not forget that the colleges' paid staff of 14,000 faculty, support staff and administrators makes them one of this province's largest employers.

Altogether, that adds up to a lot of people, and a lot of ways that Ontario's community colleges touch their lives and careers.

However, while everyone knows the colleges or has some connection with them, it is my experience that very few senior executives really appreciate the business mandate the colleges were created to fulfill. You probably don't know that Ontario's colleges are the youngest school system in the province. They've been around for a mere 30 years, having emerged during the spirit of education reform that swept through Ontario in the late 1960s when Bill Davis was the education minister. Mr. Davis was a visionary who recognised an important gap in our post-secondary education system—a gap that he filled with a unique set of post-secondary institutions that combined education policy with business savvy. The result was a set of post-secondary institutions whose mandate then, as now, is to prepare people, young and old, to enter or re-enter the work force.

It's no exaggeration to say that, in their brief history, the colleges have revolutionised education and training in this province. As the youngest members of the educational establishment, we have shown some upstart tendencies. We are progressive in concept and in delivery. And in the fine Canadian tradition of Wayne Gretzky, who always heads where the puck is going, the colleges always aim for where the jobs are, where business is heading, where the market is moving.

Earlier I referenced this month's budget announcement. I am pleased to announce that even though the budget announcement called for increases in information technology enrolment in September 1998, at Seneca we have almost doubled our summer enrolment this year from 550 to 950 students. We know where the market is going, where the jobs are and where business is heading.

Education is an investment, not a cost. In the case of the colleges, we offer an exceptionally good return on investment because we're producing graduates who find work, become contributing members of society and start paying taxes immediately. It also costs far less to educate a college student than a student in either the elementary/secondary system or in university. A college education costs 30 per cent less than a university education, and our students graduate with a better than 75-per-cent chance of finding a job. That represents both excellent value and a high return on investment.

You'd be surprised how little colleges depend on taxpayer support. Only 50 per cent of the colleges' operating revenues come from provincial transfers and grants. The rest of our revenue is self-generated. And we do a good job of providing value to our investors, stakeholders, and clients because colleges know business, and the business of our clients. In fact, we are the pre-eminent source of business and industrial training for employers in this province. Together, we represent the largest training system in Canada and one of the largest in North America.

Our training expertise is valued and sought after at home and abroad. Let me give you a few examples from Seneca's recent experience:

- In the past two years, Seneca has played host to over 300 Chinese business executives who have come here specifically to study Canadian business practices and search for potential Canadian business partners.
- Seneca, in conjunction with our partner 'INACAP,' has established an English language institute in Chile for Chilean business people interested in doing business in Canada. A reciprocal pro-

gramme—a Spanish language and culture institute—is being established at Seneca for Canadians seeking to do business in South America.

- We are also working with a major international airline to finalise an agreement to provide training to their pilots and other employees—a deal that could be worth millions of dollars a year to Ontario. Our goal is to be the international trainer of choice for the airline industry… and we will be.

Colleges are in the business of international training, and Seneca is at the forefront of this globalisation with a wholly owned subsidiary company—Seneca College International. We have entered into joint-venture agreements in China, the Pacific Rim, Mexico and South America. Indeed, this year we will do close to $10 million worth of business in our international activities, with close to 75 full-time employees owing their jobs to the services we provide to international clientele.

We also have a strong international presence in the student recruitment market, attracting more than 1,000 students annually from over 60 countries. These international students also benefit local communities and the local economy, where the multiplier effect has been estimated to be eight times the value of the annual tuition paid. Equally important, these students are the gateway for many Canadians wishing to do business in their country. They are also the people who, upon graduation, are taking Ontario-born-and-raised students home to work with them in their native countries.

The colleges understand that business training can't happen in a vacuum. We have our finger on the pulse of the labour market. We understand what skills employers are looking for and develop programmes to fill those needs. If you look at the fastest-growing occupations in Ontario—a list that includes technical sales, technical writers, systems analysts, computer programmers, software developers, web masters and financial managers—we provide training in all of those areas.

The secret to Seneca's success with industry is our ability to operate as a client service business: flexible, responsive training provided anywhere, any way, any time. That's why we are a joint-venture partner for industry leaders like Apotex, Silicon Graphics, CIBC and Ford Electronics—to name just a few.

You hear a lot of talk these days about skills shortages in critical areas like information technology. You hear about software giants in the U.S. stealing Canadian talent to fill their programming ranks and offering exorbitant signing bonuses for people with advanced technology skills. You also hear about companies in the Ottawa Valley and in Toronto trying to lure qualified technical people from abroad to fill those jobs that are in high demand. But, you know, the truth is we don't need to import skilled trades from abroad. We have the people and the skills training to meet the needs of industry right here in Ontario. And, we have a successful model for delivering high-quality training in this province. So why aren't we using it more, or at least using it better?

At the risk of disagreeing with the Metropolitan Board of Trade, I also believe that there are enough publicly funded post-secondary institutions doing a first-rate job in this province. We don't need more private training institutions, as the board has suggested. We need to make better use of the public ones we already have. To do so, the business community has to take a more active role than it has in the past in working with its post-secondary educational institutions—and I will say more about that in a moment.

We shouldn't have to create new training models or rely on private training institutions that charge high fees but deliver no better or different training than what is now available in the colleges. We shouldn't have to ship our students abroad to receive the specialised skills training required for today's high-tech jobs that go begging. Nor should we have to import qualified talent from offshore or south of the border to fill sophisticated technical positions. If high-tech companies in Ottawa and Toronto are clamouring for 2,000 technology graduates, then the colleges can and will supply them. The problem has been there's a disconnection between business and education in Ontario. We both need to do a better job of talking to one another. If a company needs a programme with specific requirements and provides a guarantee to hire our graduates, we'll design a programme or a semester of training to meet those needs—and we will guarantee our graduates.

Both businesses and students are demanding more of the colleges today. The marketplace is setting rigorous quality standards, and colleges are rising to that challenge. As I mentioned earlier, employment outcomes of college graduates are high, but so is the level of student satisfaction. According to one recent independent survey, the colleges earn a student satisfaction rating of 87 per cent.

Of course, employment outcomes are the most compelling measure of satisfaction. And we score well in that area. Most college graduates find full-time employment in jobs related to their field of study. Today, over 70 per cent of technology grads are working full time in their field, while many other graduates are choosing to work part-time or are pursuing further education.

I believe that publicly funded institutions should be judged on outcomes—real and meaningful performance indicators such as graduate placement rates, employer satisfaction and graduate satisfaction. With more autonomy comes more accountability. The truth is colleges welcome more accountability.

Let me turn now to another area where change is both welcome and necessary. In business today, consolidation and convergence is the way of the world—whether we're talking about financial services, consumer goods or education. I believe that in the future we will not be able to have as many post-secondary institutions offering the same courses and programmes as we do today. There will be programme rationalisation and greater specialisation in the college system because the market will not bear the cost and the inefficiency of too many institutions offering the same services or programmes vying for the same dollars.

The resource pool is shrinking, demand is growing, and the competition is fierce. And that reminds me of the statement: "When the water hole starts to dry up, the animals look at one another differently." I don't foresee a future in post-secondary education where we have to be at each other's throats, one institution pitted against the next, but that is a fear that many members of the post-secondary community have. I see a future where, rather than trying to be comprehensive, our post-secondary institutions will become more selective, choosing their positions carefully and developing them rigorously. Trying to be all things to all people doesn't make good academic or economic sense. We will have to decide what to be good at and excel in those areas.

I predict we will also see a greater consolidation of college programmes, at least on a regional basis. The colleges in the GTA, for instance, cannot continue to duplicate the same array of programmes. They will have to concentrate instead on developing a more limited and targetted slate of learning experiences in specific fields. After all, sometimes you get more, or at least better, when you have less.

Today's post-secondary institutions need to work together to deliver education that is flexible and responsive to the needs of students, employers and communities. Many students today want both a degree and a diploma, but in Ontario they need to attend separate institutions, under separate programmes, to achieve that goal. Well, it doesn't have to be that way.

In January, Seneca joined forces with York University to create a programme that allows students to earn both an applied diploma and a Bachelor of Arts degree in just three years. Seneca@York, as we call our new campus, is a joint venture between two post-secondary institutions and industry. This advanced technology campus, slated to open in the summer of 1999, can provide more than 4,000 students with a unique and rewarding learning opportunity—one that combines the practical, technical strengths of the college with the theoretical underpinnings of the university and the up-to-date systems and expertise of industry.

Seneca@York, Ontario's most advanced technology campus, marks the eve of a new era in private-public partnerships in higher education. It will serve as a vital resource for business and industry, not just in the physical facilities it offers, but in the creation of a pool of highly skilled and employable graduates to assist Ontario and Canada to compete in a global economy. Learning, as you know, is the key to prosperity in the new century. There's never been a better time for post-secondary institutions and business to join forces for achieving what I believe is a common goal: a highly skilled, educated and motivated work force.

As we contemplate a future of more strategic alliances and relationships, a future where the student and his or her needs become the *raison d'être* for all we do, a future where collegiality, partnerships and specialisation are more than modern buzzwords, I offer a few suggestions for business, government and educators that will help make student success possible and guarantee a prosperous economy. First and foremost, we must put education front and centre on the business agenda. Education is a shared responsibility, a responsibility shared between the public and private sectors.

The question is how do we institutionalise that shared responsibility and, in effect, force it to happen? As a start, I suggest that governing boards of colleges have strong and experienced business representation. We will not have shared responsibility without such representation. Taking this concept a step further, perhaps the allocation of limited public resources for education should also be a shared responsibility between public and private sectors. Governments sometimes can benefit from the experiences of business when it comes to driving change and achieving efficiency in operations. Perhaps a board composed of business people and educators, and given real clout to make decisions, might do a better job of allocating scarce public resources and improving institutional efficiencies.

Second, we have to provide incentives for investing in youth. After all, students and graduates can only contribute to society when they are given a chance—when they are given a real job. Several months ago, when The Toronto Star tackled the youth unemployment issue in a series of thoughtful features, John Honderich came up with the one-per-cent solution to encourage businesses to provide more training and job opportunities for young people.

Well, I have an additional suggestion. Why not create incentives for the development of people and employment opportunities through the tax system? Years ago, when governments were encouraging industry to expand or explore or increase capital investment, they offered businesses the opportunity for accelerated capital-cost allowances, frequently in excess of the actual expenditures. Surely today's young graduates are equally as important to today's society as fixed assets were a decade ago. Why not, then, allow an accelerated tax write-off for the first year for every new graduate hired, or possibly even for every new job created? The graduate opportunity deduction. An accelerated write-off worked for industry. It will work for today's youth.

Finally, we have to unleash the full power and potential of the colleges to do business by international standards and meet global expectations. Recently, I was visiting the Canadian headquarters of one of the world's most successful international companies. The secret of its Canadian success, the CEO told me, was having been given the world mandate for manufacturing and marketing two of the company's best products.

What the colleges are asking for is that same world-training mandate. Don't we or couldn't we have that now? Not really. We're competing in the international arena, but we're fighting with one hand tied behind our backs. That's because we cannot achieve world recognition and status without the ability to issue applied degrees. Our diplomas have little meaning beyond our borders. They were fine in the sixties when we were created. But today, in the late nineties, as we approach the next millennium and as we think globally, to be world-class institutions our colleges need world-recognised degrees where the academic rigour is at least equal to that of a baccalaureate degree. Therefore, we say to government, "Give us the tools to compete globally and we will overwhelm you with our students' success and our economy's prosperity."

As we say at Seneca, "We're in the business of developing global careers." And that gives our students and the businesses that hire them a key competitive advantage in today's economy. This is what we're doing at Seneca, and I know I speak for all the colleges in Ontario when I say that we're all heading in the same direction. It's the right direction for students, for businesses, for communities and for our economy.

Thank you.

The appreciation of the meeting was expressed by Edward Badovinac, Professor, Electronics Department, Telecommunications, George Brown College and a Director, The Empire Club of Canada.

May 27, 1998

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

His Excellency Emil Constantinescu

President of Romania

ROMANIA IN TRANSITION: OPPORTUNITIES FOR CANADIAN BUSINESS

Chairman: **Nalini Stewart**
President, The Canadian Club of Toronto

Head Table Guests

Zoe Petre, Presidential Advisor; Reid Morden, President and CEO, Atomic Energy of Canada Limited; Gilles Duguay, Canadian Ambassador to Romania; Peter Munk, Chairman and CEO, TrizecHahn Corporation; His Excellency Andrei Gabriel Plescu, Minister of Foreign Affairs for Romania; Dr. Roseann Runte, President, Victoria University; Reverend Father Ioan Bunea, St. George Romanian Orthodox Church; Robert F. Nixon, Chairman of the Board, Atomic Energy of Canada Limited; George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company and President, The Empire Club of Canada; His Excellency Gabriel Gafita, Romanian Ambassador to Canada; Charles Sirois, Chairman and CEO, Telesystem Limited and Chairman, Telesystem International Wireless Inc.; Ann Curran, Partner, Lewis Companies Inc. and Third Vice-President, The Empire Club of Canada; and Russell R. Merifield, Honorary Life Member, The Canadian Club of Toronto and Author, "Speaking of Canada: The Centennial History of the Canadian Clubs."

Introduction by Nalini Stewart

Introduction by Charles Sirois

Ladies and gentlemen:

It's a wonderful pleasure to take part in a real change for the better. Change for the better is definitely what is happening in Romania today.

Since the 1989 revolution, there has been a long period of adjustment to get rid of the old institutions and attitudes and build a better Romania. It has not been an easy time, but the adjustments are having their effect. All of the pieces are in place for real, long-term growth.

My story about Romania starts at the end of 1996. Our MobiFon cellular telephone joint venture had just been awarded a license to set up operations in Romania. At the same time, President Constantinescu came into office, in Romania's first democratic transfer of power.

President Constantinescu declared from the outset that he had a mandate from history: to create a dynamic market with stable democratic institutions. And that is exactly what he has done! He accelerated economic reform, and moved ahead firmly with radical changes; restructuring, decentralising, and privatising. The country was allowed to go through necessary but painful adjustments.

Romania is also taking international institutions very seriously, and using their standards to help it develop a world-class economy:

- It is a member of the World Trade Organization, an associate member of the European Union and of NATO.
- Last year Romania became a member of the Central European Free Trade Agreement, CEFTA. This is a market of some 95 million people—in Romania, the Czech Republic, Hungary, Poland, Slovakia and Slovenia.

All of these steps to integration are releasing the enormous potential of this country. What is that potential?

In terms of resources, Romania may be known for its energy and minerals, farmland, and forests. In geopolitical terms, Romania is an excellent base for operations in Eastern Europe, Russia and the former Soviet republics. In fact Romania's greatest wealth and brightest hope for the future rest in its population. There is almost no illiteracy. Technical and practical education is widespread. As a telecommunications operator, this is critical to TIW. We look for people with technical skills and customer care orientation, who can take on increasing responsibilities. And we're finding them.

When my wife and I visited Romania, we decided to demonstrate our commitment to the country's future by starting a Foundation for Romanian Children. We followed the example of President Constantinescu. Through the work of his Children of Romania Foundation he has shown that this is a crucial priority for his country.

Our very high opinion of Romania is based on real, hands-on, experience—very successful experience!

Telesystem International Wireless (TIW) is probably one of the largest foreign investors in Romania since the 1989 revolution. Our joint venture, MobiFon, has invested almost U.S. $400 million in Romania in the last two years.

Our CONNEX GSM cellular telephone service was set up and began operations in record time, only 18 weeks after being awarded a license. We could not have done that without a supportive government. CONNEX has 1,000 employees, whose average age is 27. More than 95 per cent of them are Romanian. Under a successor programme, they are being trained to have greater and greater responsibility. Today, CONNEX GSM has 180,000 subscribers—well beyond even our most optimistic projections. We are the leader in Romanian cellular communications with our competitor, Mobil Rom, also enjoying good growth. We're allowing what competition within a sector can do.

Other things have also gone well for us in Romania. To help market the CONNEX GSM service to the general public, and gain a higher profile, we became the main sponsors of the Rapid Soccer Club. And our team won the Romania Cup!

Above all, we have enjoyed the benefits of Mr. Constantinescu's administration and policies. He has clearly grasped the importance of ensuring a stable environment for business.

CONNEX GSM has in turn showcased the benefits of the real market economy that he is so determined to achieve. CONNEX also shows the kind of future success that can be expected.

Romania's privatisation programme is in full swing. Many more opportunities are emerging—like the privatisation of Rom Telecom, which the Financial Times has called "one of the biggest privatisations in Central and Eastern Europe this year."

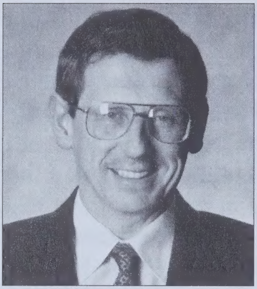
President Constantinescu will be presenting these opportunities and others in greater detail to investors across Canada over the coming days.

I would just like to simply add that Romania has been a great success for TIW. We have seen this country dealing very seriously with its economic challenges. The time is right for a serious look at the new opportunities in Romania today.

Thank you.

His Excellency Emil Constantinescu made some remarks.

The appreciation of the meeting was expressed by George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company and President, The Empire Club of Canada.



May 29, 1998

A joint meeting of The Empire Club of Canada and The British Canadian Chamber of Trade and Commerce

Dr. Robin Jeffrey

Deputy Chairman and Executive Director, North America, British Energy plc

CANAGEN ENERGY INC.—A PUBLIC PRIVATE PARTNERSHIP

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Robert J. Dechert, Partner, Gowling, Strathy & Henderson, First Vice-President and Director, The Empire Club of Canada and a Past President, British Canadian Chamber of Trade and Commerce; Rev. Captain Wendy Murphy, Rector, St. Bede's and St. Crispin's Anglican Churches; Michael Coates, President and CEO, Hill & Knowlton Canada Limited; Richard E. Venn, Chairman and CEO, CIBC Wood Gundy Securities Inc.; Alex Taylor, President and CEO, AGRA Inc.; Drew B. Fetters, Vice-President, Nuclear Planning and Development, PECO Energy Company, Philadelphia; Richard M. Thomson, Retired Chairman and CEO, TD Bank; Robert T. Wright, Managing Director, Utilities and Power Group, TD Securities Inc.; Terry Curran, British Consul General; David J. McFadden, Co—Chair, Electricity Transition Committee, Ministry of Energy, Sciences and Technology and a Director, The Empire Club of Canada; John N. Brooks, President and CEO, Toronto Hydro-Electric Commission; and Catherine Steele, Vice-President, Toronto and Partner, Gervais, Gagnon, Covington & Associates and a Director, The Empire Club of Canada.

Introduction by George L. Cooke

Dr. Jeffrey is a reasonably recent arrival into Canada, having come from Scotland, where he was instrumental in the privatisation and improvement of a very large energy operation, to Ontario where, if the accounts in the media are even partially correct, he is very interested in being part of the changes taking place at Ontario Hydro. Change implies that the old way of operation and business no longer applies. At the best of times, change can be unsettling. But the magnitude of change that is about to occur with Ontario's hydro system has significant public policy challenges and needs to be managed carefully. We have with us today as a head table guest the distinguished Co-Chairman who is leading that process.

It is fair to say that many of us in Ontario have a limited understanding of the extreme complexity of the change that lies ahead for Ontario Hydro. We tend to be very comfortable with the fact that the lights go on when we turn a switch and expect our bills to be reasonable. We accept the simplicity of this system without ever questioning whether it truly serves our needs in the best way possible.

But to believe that the structures that were relevant 50 to 75 years ago are still appropriate for our needs today suggests that times have not changed all that much, and we all know that simply isn't the case.

Clearly, the British have demonstrated to the world over the last 15 years how privatisation can produce tremendous consumer benefits, and how utilities, which may appear to operate poorly to those of us on the outside looking in, can be made much more consumer-friendly and efficient.

Dr. Jeffrey is here with us today to offer his views, I think, on any or all of these matters. And he is eminently qualified. In 1995 he became the Chairman of Scottish Nuclear and prior to that, in 1992, had been appointed Chief Executive Officer of Scottish Nuclear. Clearly, he has a distinguished career with experience in a variety of positions in the energy field, both with the utility and with engineering firms. He is a visiting Professor in Electrical Power and Engineering at Strathclyde University and a non-executive director of London Transport and London Underground.

Dr. Jeffrey, with our sincere thanks for being here today, the microphone is yours.

Robin Jeffrey

Thank you George for that kind introduction. It really is a great pleasure and honour to be here today at the Empire Club.

I should also like to thank the British Canadian Chamber of Trade and Commerce for jointly hosting this event and to TD Securities for sponsoring the occasion. To Dick Thompson and Rob Wright, many thanks.

Judging by the number of people in the room, there is a lot of interest in the very rapidly changing electricity scene here in Ontario, no doubt fuelled by the Ontario government's plan to reform the electricity sector in the province—a plan with a timetable that is aggressive but I believe is fair and forward-looking.

In my mind, this is the action of a confident and prosperous community with its eyes clearly fixed on the competitive business realities of the future; a recognition that a competitive electricity system will continue to be key to creating new jobs and a robust economy that is attractive to investors; and a supply of safe, reliable, environmentally sound and low-cost electricity which will be good for Ontario and good for Canada.

Firsthand I have seen the tremendous improvements in the U.K. electricity sector over the last decade resulting from the progressive commercialisation of the industry and the introduction of a competitive environment.

The numbers may astound you. Prices to consumers have been reduced by 15 to 20 per cent in real terms, the accountability, reliability and quality of service offered to customers has been significantly improved and Her Majesty's government has benefitted to the order of C$100 billion. These are the numbers I provided to the provincial Legislative Committee last November and I share them with you again today.

The people of this province have been fortunate. You have benefitted from reliable low-cost electricity since

Ontario Hydro was founded almost a century ago. But the world is changing and the challenge set out in the government's White Paper is something I now want to address.

Many of you will have seen the press stories over the past few weeks about British Energy's response to the White Paper. Some of you are no doubt sceptical but I'm sure all of you are somewhat intrigued. Who is this company that wants to invest in your nuclear assets? What are we planning? How might this benefit the people of Ontario, the ratepayers and tax payers of this province?

First of all, let me say that I believe in nuclear power and I believe nuclear power will play an essential role in helping the world achieve its Kyoto commitments to reducing harmful greenhouse gases which cause global warming.

And next I want to acknowledge that Canada has always been a leader in nuclear technology and Ontario has always been at the forefront of nuclear power generation and that based on all the studies we have made, our view is that Candu technology is robust. We are serious about investing in all the plants—at Bruce, at Pickering and at Darlington.

Our proposal is for a Public Private Partnership regarding all 20 of Ontario Hydro's nuclear reactors.

We have spoken publicly about such a scheme since we opened an office in Toronto last January and have discussed the concept of such a partnership with a number of stakeholder groups.

We recognise that because of the importance that Ontario Hydro has played in the development of this province that our partnership proposal will have to be perceived by the people of Ontario as a win/win situation. So to test this we commissioned some public research and the results show that the idea has broad appeal.

We believe that our concept of a Public Private Partnership fits within the framework of the government's White Paper. Let me read an excerpt from page 24:

> … "The government would encourage the new commercial companies [meaning the Ontario Hydro successor companies] to explore opportunities for new partnerships with both the private sector and the local distribution utilities. New partnerships are important because they bring new perspectives, new energy, new resources, and discipline to help get costs down."

So what do British Energy and our North American partner, PECO Energy of Philadelphia have to contribute to this important issue?

Well in 1990, the U.K.'s Advanced Gas Cooled Reactors—the AGRs—were the dunces of the international league table, the worst-performing nuclear reactor type in the world.

And now eight years on, the AGRs are the world's best-performing reactor type and we have British Energy, a privatised nuclear generator able to operate safely and profitably in a competitive market and in one of the world's most tightly regulated industries.

So what changed during those eight years? The short answer is our entire corporate culture; how we work together as teams; how we communicate; how we reward and motivate our staff.

The methodology is simple. Examine every process. If it doesn't add value cut it out. If the process is essential examine it and simplify it. Simpler means less costly and simpler means people understand the process better. Better means safer. The simpler the process, the safer. And safety and commercial success go hand in hand. Quite simply if you are not safe, you do not run. There is clear evidence from other countries and companies to support our view on that.

Over the past few years we have increased the output from our plants by more than 50 per cent and at the same time the cost of manufacturing a kilowatt hour of electricity in constant money values has been halved.

And finally the volume of electricity produced per person employed has more than doubled.

Obviously, there are many and various reasons for this turnaround in performance. But basically the key factor was to create working arrangements which enabled people to be focused on helping the company improve and to share in the gain from the enhanced success of the company. And when I talk about gain to the employees, I mean not only financial reward but also the satisfaction of being part of a success, of having a company culture where your ideas about how things can be done better are listened to and implemented where it adds value.

And finally let me just add that 98 per cent of our staff are stockholders and that almost all of them belong to unions.

There is a real potential for synergistic benefit—shareholders and unions; staff and management; suppliers and contractors—a Public Private Partnership.

What the British Energy experience shows is how nuclear can be reborn; how investors can become familiar with nuclear power as a safe, profitable and environmentally friendly means of producing electricity; and how everyone involved in the process can work together in partnership.

Now let me talk about the relationship between British Energy and PECO Energy of Philadelphia. We came together more than a year ago because we found that both of us had a strong belief in the future of nuclear power because both of us had a track record of having turned around the performance of our respective nuclear plants and because both of us recognised that achieving success can only be made through hearts and minds, through staff participation and commitment. In addition to this PECO brought to the table a deep understanding of electricity markets in North America—a power trading team which is active throughout North America. Furthermore they know from firsthand experience the impact which deregulation and competition can have on a utility business. They have had to deal with the issue.

Our partnership with PECO Energy in the United States will be purchasing potentially good nuclear plants at prices which will benefit both the buyer and the seller.

Our collaboration in Canada to be called CanaGen Energy Inc. has a different objective. Here we want to be part of a Public Private Partnership—a vehicle whereby we could bring new perspectives, new energy, new resources, and the discipline to help get costs down.

We would like this Public Private Partnership to have a strong ongoing participation from the provincial government and we also believe that Canadian private-sector investors would be keen to participate.

Our partnership would bring a number of benefits. First it would secure the financing of the ongoing investment in Ontario's nuclear assets and then it would provide funds to the Ontario government, both through a cash payment by the private-sector partners and through better returns from enhanced operating performance. Finally we would like to be part of the team which makes nuclear power in Ontario a vital player in the North American energy sector.

That is what is in our minds and we plan to develop our thinking to the stage where we could table a proposal, but this is some months off. We need co-operation to help us with our thinking. How will the independent market develop and what will be the shape of the new staff agreement for this new company?

We are excited by the opportunities we see, not only for this proposal but in this community and in this province.

And so I draw your attention to CanaGen Energy—a company that will be based in and run from Toronto, part of a Public Private Partnership, which aims to deliver benefit to Ontario's ratepayers and taxpayers, to add value to the private-sector shareholders and to build success upon success.

To close I'd like to quote from the Scottish equivalent of The Globe and Mail of a few days back: "It would seem that the only loser in Dr. Jeffrey's move will be Air Canada!"

Thank you for your attention.

The appreciation of the meeting was expressed by Robert J. Dechert, Partner, Gowling, Strathy & Henderson, First Vice-President and Director, The Empire Club of Canada and a Past President, British Canadian Chamber of Trade and Commerce.

S.W. (Sam) Billich, SBSt.J., J.P., Director, The Empire Club of Canada and His Honour Justice Charles L. Dubin, Counsel, Tory Tory DesLaurier and Binnington and former Chief Justice of the Ontario Court of Appeal.

June 4, 1998

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Anne McLellan

Minister of Justice and Attorney General of Canada

A VIEW FROM THE WEST

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Marnie A. McGarry, Director of Development, Adventure Place, Calico School and a Director, The Empire Club of Canada; Ethan Siller, Grade 11 Student, Northern Secondary School; Rev. Katherine Treganowan, Pastoral Associate, St. Paul's L'Amoreaux Anglican Church; The Hon. David R. Peterson, P.C., Q.C., Partner, Cassels, Brock & Blackwell; John A. Campion, Partner, Fasken Campbell Godfrey and a Past President, The Empire Club of Canada; Madam Justice Rosalie S. Abella, Court of Appeal of Ontario; The Hon. Charles Harnick, Attorney General of Ontario and Minister Responsible for Native Affairs; Nalini Stewart, President, The Canadian Club of Toronto; The Hon. R. Roy McMurtry, Chief Justice of Ontario; Malcolm J. MacKillop, Partner, Borden & Elliot; and Catherine Steele, Vice-President, Toronto and Partner, Gervais, Gagnon, Covington & Associates and a Director, The Empire Club of Canada.

Introduction by George L. Cooke

I wonder how many of us are aware that the 3-M factor in the federal cabinet has nothing to do with scotch tape or "post it notes," but is used by "pundits" to refer to Ministers Martin, Manley and McLellan!

Today, we are particularly honoured to have Minister Anne McLellan with us.

Minister McLellan was first elected to the federal Parliament in 1993—by one vote, and on recount by 11 votes. This distinction garnered her the nickname to insiders and friends of "Landslide Annie"!

Of note, this landslide produced the first federally elected Liberal from Alberta since the days of 'Trudeaumania.' The second more comfortable victory by the Liberals in 1997 marked the first time in my lifetime that a federal Liberal member was re-elected from Alberta.

In addition to being Minister of Justice and Attorney General of Canada, Minister McLellan sits on all four permanent cabinet committees—the only member of such distinction—and chairs one of them: the social committee.

A student from a one-room school house on the south shore of Nova Scotia, raised on a 200-year-old family farm, Minister McLellan holds a Bachelor of Arts degree and a law degree from Dalhousie University, and a Master of Laws degree from King's College, University of London. She taught law at the University of New Brunswick and at the University of Alberta, and was Acting Dean at the latter, prior to her election to Parliament. In spite of an outstanding legal background—which serves her and Canada well in her current role—Minister McLellan was first appointed to cabinet as Minister of Natural Resources. In this role she is recognised for having worked miracles developing solid working relationships, support and trust for the government within that sector, one of obvious great importance to the province she represents.

We have a truly talented and accomplished Canadian as our guest today. Please join me in welcoming Minister Anne McLellan to this joint meeting of our clubs.

Anne McLellan

Thank you for that kind introduction. It is a pleasure, indeed an honour, to be here and to have this opportunity to address a joint meeting of the Canadian Club and the Empire Club.

It is also a pleasure to be here in Toronto, a city that is prospering again and helping drive the country's current economic expansion. This city, the province of Ontario, along with Québec, have long been the engines of economic growth in Canada. As the Member of Parliament for Edmonton West, it gives me great pleasure to note, that while this may still be true, they are being joined by the West and its urban centres, such as Calgary and Vancouver. This is not just good for the West, but for the entire country.

I make these introductory remarks because I have been asked, today, to provide a view from the West: to provide my perspective on issues as a representative of the government and the cabinet from Western Canada, representation that is not quite as abundant as that in Ontario. I will take this opportunity to reflect a little on the country's expanding power base, on the fact that the West is assuming an increasingly important economic role in our federation, and what this means for the governance of our country and our choices. In this respect, I will touch on some of my challenges as Minister of Justice.

Thanks, in part, to the policies of our government, the national economy is doing well after the very difficult years of the late 1980s and early 1990s. The unemployment rate, though still too high, has fallen to its lowest level in seven years and keeps falling. Inflation is low. Consumer and business confidence are reaching record highs. Short- and long-term interest rates are lower in Canada than in the United States. After years of pessimism, Canadians feel optimistic again, both about the national economy and about their own personal prospects.

We have gone from the second-highest deficit-to-GDP ratio of the G-7 nations to the lowest. The OECD forecasts that Canada will lead the G-7 nations in economic and job growth this year and next. We are now in the very fortunate position to start prudently and responsibly identifying our priorities as a country and investing in them—priorities such as education, health care and personal tax reductions. This is where our nation is today. But what's interesting is how we got here.

For the past few years, the West's economy has consistently outpaced that of the rest of the country, seizing the advantages and opportunities, particularly export opportunities, brought about by the country's fiscal turnaround. In 1996, GPP growth in the prairie provinces was twice that of Ontario's and three times that of Quebec's. In 1997, as the recovery consolidated, Ontario's and Quebec's GPP growth approached that of the prairies, but again Alberta led the country with growth of 5.5 per cent. It is also worth noting that, unlike the late 80s where growth occurred primarily in Ontario, this has been a truly national recovery.

The story is the same on the unemployment front. Alberta's unemployment rate today is 5.2 per cent, the lowest in the country. Manitoba's and Saskatchewan's are right behind. British Columbia has been having a tough time given Asian markets, but we cannot forget that for years B.C. was an export champion in our national economy—and will be again.

The West is not just growing, it's diversifying. Manitoba's economy is the most diversified in Canada. In Alberta, while oil and gas is still the major contributor to provincial GPP, the manufacturing and service sectors have steadily increased their combined contribution over the past 10 years. The province today derives much more revenue from non-energy exports than it did in the 1980s. So, while it is obviously a concern when oil prices drop, as they have recently, the provincial economy maintains its strength and vibrancy.

Here are some other indicators of the West's growing strength. Canada West Foundation reports that 46 per cent of Albertans own or have access to home computers versus the Canadian average of 36 per cent. My home of Edmonton, along with Vancouver and Calgary, sell more books per capita than any other Canadian cities. And, if the statisticians have this right, Alberta and B.C. have the highest percentage of citizens with a post-secondary education.

Calgary's population, at 840,000, is small compared to the millions who live in Toronto or Montréal. Yet Calgary hosts the second-largest number of head offices in Canada.

Population also continues to move westward. In the period between 1986 and 1996, B.C.'s population grew around 50,000 a year—the equivalent of moving a city the size of Kingston to the coast each year. A percentage of this growth comes from outside Canada, but most is from within. Born in Nova Scotia, I am an example of this internal migration. And as Newfoundlanders are the first to tell you, their fourth-largest city is Fort McMurray, Alberta.

What we are seeing is, quite frankly, a gradual economic realignment. What I've described speaks to the intellectual vigour and corporate reach that is taking place across this country. It is surely a strength we must all welcome, for it is contributing to our pluralism and diversity as a nation and is providing new opportunities and prosperity for all Canadians.

It is in this context of the West's economic and population growth, diversification and confidence, that the country, or more specifically Central Canada, experiences the West's demands for greater influence in the country's affairs. The Reform Party is one manifestation of this, although I would argue that it is an unfortunate one, for it tends to be one of negativism and division. Most Westerners are not angry or defensive; they are confident, optimistic and tolerant. They deserve a more positive expression of their ideas and our government is working hard to provide the means for that expression. However, we must view these demands as not only natural, but that understanding them and responding to them are essential to Canada's continued growth and prosperity.

The first point I'd make is that the West's influence is already strong. Fiscal responsibility and the belief in a more streamlined, smaller government are ideas that, first championed in Western Canada, are now virtually gospel—embraced by all Canadian governments regardless of political stripe.

The continued deregulation of oil and gas markets, the recognition of the national importance of Alberta's and Saskatchewan's oil sands and our government's focus on Asian markets and the Pacific Rim, are all examples of western priorities that have achieved a high place on the national agenda. The economic significance of the Pacific Rim for Canada's economy, and Western Canada's in particular, cannot be understated.

But the West wants more and as long as trends continue, these demands will increase. The question is how can we make this happen harmoniously, constructively and to the benefit of all Canadians?

Westerners are often viewed as a relatively homogeneous people who are conservative in their values and political preferences. However, the West possesses a highly diverse, multicultural society, reflected in its plethora of social, cultural and political organisations. The very term, "the West," is misleading, for the social, economic, political and even historical differences of the four western provinces are easily more significant than, for example, those of the Maritimes, yet they are more readily lumped together.

For example, the West has produced several populist political movements. However, one need only compare the socialist C.C.F., born in Saskatchewan, to the conservative Social Credit, born in Alberta, to appreciate the West's diversity. What all western movements have shared is an anti-establishment, or certainly an anti-central Canadian establishment bias, and a desire for a greater decentralisation of powers and more representative institutions.

Beyond the regional protest language, the values expressed by these movements and held by Westerners are not that distinct from those held by other Canadians. The West has always been and will continue to be committed to the growth and development of Canada. I consider Albertans to be among Canada's most ardent patriots. As former Alberta Treasurer Jim Dinning has said, "Albertans believe in the principle of equity. Clearly, those who have are going to be asked to pay more than those who have not... I don't believe this (Alberta) government is a believer in cheque book federalism."

Alberta is the home of the pioneer spirit in Canada. It is a spirit that combines the determination to beat the odds and the fortitude to open up new frontiers. It conveys a strong ethic of individualism and suspicion of state power. But it is balanced by another, gentler side. The hardy pioneers who built Alberta knew that surviving the harsh conditions on the frontier meant helping each other out. It meant sharing and making sure that everyone was treated fairly. This aspect of the pioneer spirit still informs Albertans' actions: approximately 40 per cent of Albertans volunteer, a higher percentage than in any other Canadian province.

So while some Albertans might debate other Canadians on how we, as a nation, should care for our citizens (the appropriate role for government), the fundamental values Albertans hold are the same as those in Ontario, Nova Scotia and Québec: We believe in a country that cares for its people, particularly those most vulnerable. As Jim Gray, a Calgary oil executive stated in his remarks to the Public Policy Forum in April: "Our (Canadian) distinguishing hallmark is the effective balance we have generated between our high standard of social values developed within the context of a successful and resilient economy. We have achieved this admired balance better than most." This is the challenge our country has successfully met for 130 years: building a nation by focusing on those things that bind us. Our future requires that this continue.

As a Westerner, I am sometimes described by some, in the media, as a small-c Liberal justice minister. Some have viewed my priorities—crime prevention, the renewal of our youth justice system and victims' rights—as evidence of my western perspective. But one of the most important things I have learned over the past year in this portfolio is how justice issues transcend provincial and regional boundaries. While Quebeckers show a higher (though by no means very high) degree of support for the Young Offenders Act than in other parts of Canada, where it is easily the most unpopular piece of justice legislation, fear of youth crime is just as high in Québec as elsewhere. There is no question that fear of crime and questions about the ability of our criminal justice system to deal with it is a growing concern in every part of this country. And we also know that this is happening at a time when crime rates have been going down in most categories for the past five years or more.

These concerns reflect the fact that Canadian society has undergone profound change over the past 30 years. We've evolved, for example, from a relatively homogeneous country bent on assimilating immigrants and Aboriginal people to a pluralistic one, whose commitments to multiculturalism and Aboriginal self-government are enshrined in our Constitution; from a country whose political discourse was dominated by a few privileged voices to one in which the number of viewpoints heard in public debate in any given day defies quantification. And we now have a Charter of Rights and Freedoms, which has changed the perceptions and expectations of citizens about what the justice system and legislators are capable of accomplishing in a given situation.

Our justice system has been slow to respond to these new realities and pressures. Aboriginal peoples still feel disadvantaged and isolated in their dealings with the justice system. Litigation is still the paradigm by which the justice system resolves legal disputes, even though such a model is foreign to many people's instinctive sense of how to resolve disagreements or conflicts, and even though litigation creates an atmosphere that deters many people from seeking recourse to justice at all. A general sense of alienation from our judicial institutions resonates more strongly still when they take on a regional angle: expressed in the demands of Westerners and others for greater control of their judicial institutions.

What these issues point to is the need to change the way our justice system operates. We must work to provide Canadians with a greater sense of ownership of the justice system. Canadians, no matter where they live, will only feel that their justice system is working for them if it is accessible, relevant, and inclusive. This may mean changing our institutions, the power they wield, and that of those who run them. It is a goal that is important not just to Westerners, but to all Canadians.

The need to open up our institutions of justice finds no greater argument than when we look at the issue of victims. One of the most troubling aspects of justice in Canada in recent years has been the failure of the system to recognise and respond to the needs of women, children, seniors and other vulnerable groups who have been victimised by crime or family violence.

Victims' rights are not, as some might allege Western issues, although there is no question that the concerns of victims resonate strongly in Western Canada. In a much-heralded study of Québec's youth justice system, one of its recommendations was to improve the system's treatment and involvement of victims. Improving the treatment of victims is very much a national issue, though doing so effectively requires action that is locally based.

As our justice system has evolved, we have had to understand that justice must be seen to be done at the local, as well as the global level. The precedence of the

"Queen's Peace" over the interests of the individual is a fundamental principle—and I would never suggest otherwise—but its practical effect for individuals victimised by crime has been painful, since their needs and concerns often have been ignored. Justice cannot be an abstract concept, but must be one that has meaning and impact in the hearts and minds of individual Canadians.

Reforming our justice system to respond to Canadians' concerns means finding ways to increase the involvement of victims, of the community and of individual Canadians. The federal government is doing this through several initiatives, including our strategy to renew our youth justice system.

Here in Ontario and elsewhere, community-based youth justice alternatives are being developed. These alternatives, used for non-violent offences, involve new ways of making the young offender atone for his or her crime through restitution, community service or other measures that make it plain to the youth the impact of his or her actions. Through our youth justice renewal strategy we want to expand the use of community-based sentencing for non-violent offences, not just because they are less costly and, in most circumstances, more effective, but because they also empower the community.

This week, our government announced a new direction for justice in Canada, when we unveiled our National Strategy on Community Safety and Crime Prevention. In partnership with the provinces, municipalities, NGOs and local community organisations, the Government of Canada will be providing resources to help communities to fight crime by addressing its root causes. It is a programme that recognises an essential fact: The people who live and work in Canadian communities are the ones who best understand their concerns and needs. The federal government won't run this programme; communities across Canada will. It is a concrete example of citizen engagement on an issue of fundamental importance to Canadians—the safety of their communities.

This $32-million annual investment represents 1 per cent of the federal cost of the criminal justice system in Canada and implements a recommendation of both the former National Crime Prevention Council and a House of Commons committee. The programme will be spearheaded by a national Chair, Toronto's former mayor and longtime community advocate, Barbara Hall. She will be assisted by a steering committee comprised of representatives from across the country, including representatives from the provincial and municipal levels of government, the police, the social services network and others.

This programme acknowledges the fact that communities and regions have different crime concerns. Organised crime is a more pressing issue for Montréal and Winnipeg than it is for Edmonton, while child prostitution is a major concern for Calgary and Vancouver. It is a programme that takes decision making out of Ottawa and empowers communities to respond to crime concerns directly.

Crime prevention, youth justice and victims' rights are three areas where we, in the justice system, have an opportunity to make the system more inclusive, responsive, indeed more relevant to Canadians. In doing so, I also think we can also take steps to address regional concerns, be they from the West or Ontario. Canada is a large country, with a small population spread over great distances. Allowing for greater public ownership of our institutions is a much greater challenge in a country as large as ours, but it also makes the importance of meeting it that much greater.

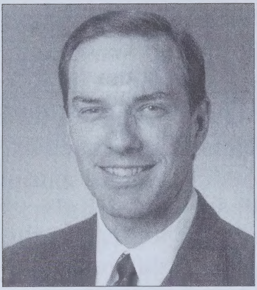
Canadians from all regions built Canada by working together, overcoming differences of language and culture. It has not always been easy, but the challenge of achieving understanding and respect for Canada's differences is a noble one and our ability to do so is what sets us apart from so many other countries around the world. We can continue to build this country, confident that the values that led us to this point are shared by all Canadians. Westerners may have some needs or feel some frustrations that differ from Ontarians, Atlantic Canadians or Quebeckers, but we have long worked and will continue to work toward common purposes.

Georges-Étienne Cartier—one of the Fathers of Confederation—said that Canada was founded on the “kindred interest and sympathies” of our different communities. As we enter a new era of prosperity, it is my hope and belief that Canadians and their governments will find it easier to overcome our regional differences and work together in partnership. As Prime Minister Jean Chrétien said to the Economic Club of New York this March, “Our nation has emerged to a bright future full of hope and promise, with new confidence in its abilities and a new belief in its destiny.”

He is right. And Canadians, regardless of where they live, feel that hope, that promise and that confidence. The new millennium will dawn brightly for this great nation and its people.

I thank you for inviting me to be with you today.

The appreciation of the meeting was expressed by Nalini Stewart, President, The Canadian Club of Toronto.



June 18, 1998

Robert M. Astley

President and CEO,
The Mutual Assurance Company of Canada

TRANSFORMATION IN CANADIAN FINANCIAL SERVICES

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Bill Laidlaw, Director, Government Relations, Glaxo Wellcome and Third Vice-President, The Empire Club of Canada; Dr. Diane Bridges, D.Min., J.P., Director of Religious and Spiritual Care, Peel Memorial Hospital; Paul L'Archeveque Sr. Vice-President, Commercial Relations, Glaxo Wellcome; Mark Daniels, President, Canadian Life and Health Insurance Association Inc.; Alex Wilson, Chairman and Managing Principal, Perigee Investment Counsel Inc.; David Ward, Managing Director, Mergers and Acquisitions, Nesbitt Burns; John Curtin, Chairman and CEO, Goldman Sachs Canada; Dina Palozzi, Superintendent and CEO, Financial Services Commission of Ontario; Steve Aldersley, Partner, Ernst & Young; Michael Wenban, Senior Consultant, The Monitor Company; and Jocelyn Cote-O'Hara, Telecommunications Consultant and a Director, The Empire Club of Canada.

Introduction by George L. Cooke

Our guest speaker today is Robert Astley, President and Chief Executive Officer, The Mutual Life Assurance Company of Canada.

Mr. Astley is speaking to us today at a time which must be one of the most interesting and challenging, by any objective description, for those firms operating in what has become known as "the financial services sector." Not only are government-appointed groups looking at how this sector ought to be defined and what rules should govern the operation of companies within it, but capital markets are establishing new standards and rules almost daily—and ownership change through mergers, acquisitions, consolidation, demutualisation and the like is topical and plentiful.

I consider Mr. Astley a brave man to step forward at this time to offer his views. Mr. Astley's career, with the exception of three years as a pension consultant, has been with Mutual Life of Canada. He is a Fellow of the Canadian Institute of Actuaries and a graduate of the University of Manitoba with an Honours degree in Science. He holds an honorary Doctor of Laws degree from Wilfrid Laurier University.

Mr. Astley is an active participant within his industry association and is currently serving as Chairman of the Canadian Life and Health Insurance Association.

He also finds time for non-work-related commitments with community organisations and is currently a member of the Wilfrid Laurier University Foundation and a former Chair of the Dean's Advisory Council of the School of Business and Economics and a former Chair of the Board of Governors of the University. He has also served as Chair of the Corporate Division for Campaign K-W, the fundraising Campaign for K-W Health Centre.

Bob we welcome you here today and look forward to the insight that you can provide to us at this most interesting time.

Robert Astley

Thank you for the opportunity to speak about the transformation we are seeing in Canadian financial services.

This is a pivotal time in the history of this industry. What will happen in the next couple of years will have a marked impact on the shape and texture of all financial services. As we enter this new phase, uncertainty is at an all-time high. We need to be clear on the principles we use as a compass to guide us through the fog.

Speaking for Mutual, our guiding principle for setting strategic direction is that of creating and delivering value through service: to customers, owners, and the public at large. My conviction is that this principle can be used to help make the fundamental choices and public policy decisions that are facing the broader industry today.

The financial services industry has never been so carefully or openly or publicly scrutinised. If you scan the newspapers on any given day, you'll see new stories breaking, columns being written and speculation being offered up regularly about what is happening in financial services. It's not only the banks grabbing banner headlines. Until recently, if the top business story featured an insurance company, that was a sure sign of a slow news day! These days we're in the business sections of papers on a regular basis.

From where I stand in the insurance business, becoming a news-maker is all about becoming a change-maker, and that's a change for the good. Last December 8, Mutual made headlines as the first major mutual life insurer to announce its intention to seek policyholder and regulatory approval to demutualise or become a stock company. Not long after that, we beat out other bidders to become the successful buyer of Metropolitan Life's Canadian operations. This acquisition, when approved, will solidify our strong second place in the domestic insurance market. Then, we participated in the successful IPO by Perigee Investment Counsel. And we turned a few heads again when we became the first major Canadian life insurer to raise a subordinated debt issue in the public market worth $400 million.

The changes making headlines today are words that a year ago many people barely knew how to pronounce! Demutualisation, for instance. Other changes are not so new, but have certainly intensified of late: consolidation, mergers and acquisitions, globalisation.

There is yet another issue that is absorbing most companies these days: the need to understand and capture the loyalty of the consumer and satisfy the shareholder—fast-moving targets, both. Ultimately, this is the top business imperative of our times: the need to create and deliver value to all stakeholders, beginning with service to the customer.

Let me at this point address the principle of value creation through service. In a nutshell, I believe that we are entering a time when the services part of financial services will take on a renewed level of importance. Serving customers on their terms according to what they value is the only sustainable competitive advantage today. It is also the only way to create value for all stakeholders—shareholders, communities, Canada as a whole. The ability to partner with these stakeholders will also become key if we are to enhance our ability to create value together.

Today I will highlight this principle of customer service and value creation in three areas that are radically reshaping financial services:

- Demutualisation and the birth of new stock companies;
- Ownership of converted mutual companies; and
- Consolidation and the question of scale in financial services.

Demutualisation

Many of the business decisions Mutual is making these days revolve around demutualisation—an ungainly term for converting a company owned by its participating policyholders into a stock company owned by shareholders. Demutualisation has erupted in the past few years around the world, though only recently in Canada.

Regulations to enable demutualisation are not finalised. We expect them in the near future, as we continue to work co-operatively with federal officials to create the framework for demutualisation.

The essence of demutualisation is to clarify the ownership rights of the participating policyholders who own the company by giving them shares in the company. They will be able to realise fully the value of their ownership in the company either by holding the shares or selling them.

Some observers expressed surprise that Mutual was first off the mark to announce its intention to demutualise after 128 years as a mutual company. These people thought that we were wedded ’til death to the mutual concept. This was a misconception because our real commitment has not been to the form of mutuality but to provide the best value we can to customers and owners whom we regard as partners in the company. We have been considering the possibility of demutualisation for some time as we sought different ways over the past decade to optimise the balance between customer value and owner value. We achieved that by being the only insurance company to pay Ownership Dividends of $70 million—over and above experience dividends. Finally it became clear that the best way to recognise the owner’s value in the company is through demutualisation.

We wanted to be the first to announce our intentions—to lead not follow—and we did that. As a result, we have set the standard and helped shape the course of this important structural change.

Once conversion is complete, Mutual will distribute 100 per cent of the value of the company—no holdbacks, no windfalls for executives. The big winners will be the par policyholders, people who bought their ticket a long time ago and held on to it—a form of investment and a statement of faith in us.

As the four large mutuals convert to stock ownership, what’s the impact on the economy? To some degree, we are entering uncharted waters with few navigational aids.

Let me offer you a personal preview of what we're likely to see as the future of financial services unfolds.

To begin with, if policyholders approve, Canada is about to experience a tidal wave of share ownership. Over the next 18 months, the demutualisation of the four major mutual insurance companies will place some $10 billion into the hands of two million Canadian policyholders who will become shareholders—an average of approximately $5,000 per eligible policyholder. Mutual Life will initially have the largest number of new Canadian shareholders with over 900,000.

This may well represent the largest distribution of wealth in Canadian history. Billions of dollars of share capital will be in the hands or the control of individuals who will wield considerable purchasing power and investment clout. That will have tremendous positive impact on the economy. The projection is there will be real economic growth of 0.3 per cent. This could create 10,000 to 12,000 new jobs in the first 18 months following demutualisation. Tax revenues will increase by over a billion. This is good economic news for Canada!

A recent article in The Globe and Mail talked about the economic boon to Australia from the just-completed demutualisation of insurance giant AMP Ltd. Economists hailed the initial offering as a valuable aid to the Australian economy at a time when it faces a slowdown in growth.

This injection of wealth into the economy does raise public policy issues. While demutualisation will create wealth for many Canadians, it will also carry tax consequences and other financial implications for social assistance benefits that have yet to be fully addressed in public policy terms. It is important to ensure the appropriate treatment of individual consumers, particularly lower-income Canadians, who will be the beneficiaries of share ownership. A speedy resolution of these matters will ensure Canadians reap the benefits of demutualisation—as they should.

Four sizable companies going public—all of whom will be listed on the TSE—will undoubtedly have a significant impact on the market. There will be heightened investment activity and many new opportunities opening up. Industry watchers and investment analysts will be closely eyeing the newly-converted companies.

At Mutual, we are ready to be a stock company and are prepared for that scrutiny. In fact, we are already behaving like a stock company. We have been a reporting issuer under Canadian securities law since 1995. We just published our fourth Annual Information Form. As a result, when we needed to issue subordinated debt to finance part of the purchase of MetLife Canada, we were able to implement the filing process in less than three weeks. We issued $400 million in subordinated debt, which included a noteworthy 30-year tranche.

Perhaps the best evidence of our readiness to perform as a stock company is the MetLife deal. The opportunity to offer more choice to customers and create value for future shareholders was too great to pass up.

Demutualisation and acquiring MetLife Canada are both grounded in the desire to serve customers' interests and create value. The prevailing wisdom on the street is that being accountable to shareholders is different—tougher—than being accountable to policyholders. Accountability to shareholders is different because we will have to focus more on delivering shareholder value, but remaining customer focused and serving them effectively will in turn generate value for shareholders.

Ownership

I want to turn now to the subject of ownership rules for converted mutual companies—an important public policy issue.

The Insurance Companies Act has two sets of rules for life insurance companies: one for shareholder-owned companies and another for mutual companies that have become shareholder-owned companies. Shareholder-owned life insurance companies do not have to be widely held. By contrast, demutualised companies do have to be widely held.

Let me tell you where Mutual stands. We feel that the rules should, in time, be harmonised for all shareholder-owned companies whether they were converted from mutuals or not. We also feel that legislation need not provide for life insurance companies to be widely held.

I believe Mutual can compete in the market and the market will primarily decide what ownership is right. The ability to serve customers and create sustainable value is, and should always be, the guiding principle. We stand by that. We have the financial strength, market presence in Canada and a distinctive customer-focused strategy that will create continuing value for owners.

However, I do not recommend that the walls come tumbling down immediately.

Though I know we can and will rise to the market challenges, I believe that a transition period is necessary for the protection of the policyholders who will be the initial shareholders. It may take some time after the shares become publicly listed for the value of the company to normalise in the market, particularly given that four companies will be demutualising in the same general timeframe.

I recommend that this transition period be not less than two years. During this period, both takeovers and amalgamations should be prohibited. This transition phase—which others have recommended be as long as five years—will allow time to show what we can do to create shareholder value.

Whatever regime is put in place by the federal government following the review of financial sector policy, the rules must be transparent and even-handed. Institutions should neither be given undue advantages nor subjected to unfair restrictions. The rules must also foster a vibrant, competitive financial services sector that serves Canadian consumers and the Canadian economy. I know that the MacKay task force, the Liberal caucus task force and federal officials will be sensitive to the implications of any new rules that are introduced or current rules that are left in place.

Consolidation and Scale Issues

Now let's consider consolidation in financial services and the global debate over scale. Simply put: How big is big enough for a financial services company? Once again, the question must be answered from the perspective of service and value for customers.

At Mutual, we recognise the benefits of scale—up to a point. We have made strategic acquisitions in order to increase our sales force, reduce unit costs, invest in technology, provide more choice to customers and increase value for owners. I consider this growing bigger to be smarter—not growth for growth's sake. In itself, getting bigger does not equate to getting better. In fact, smart growth has as much to do with effective integration plans and the issues of fit, culture and effective partnering as it does with the acquisition or merger itself.

To state the obvious, the scale issues in the insurance sector are not in the same ballpark in terms of size, weight and global reach as the bank mergers now being contemplated. You are all familiar with the serious issues that public policy makers are now weighing—the potential benefits and risks to consumers, small businesses and Canadian communities; the dangers of over-concentration of power in a particular market; and the issue of global and domestic competitiveness.

The debate has become increasingly intense and filled with facts and much rhetoric. With industry giants and public policy officials clashing over the merits of scale, it is important for all of us to recall that the interests of Canadian consumers should come first. I am reminded of an African proverb that goes: “When elephants fight, it’s the grass that suffers.” Let’s ‘protect the grass,’ so to speak, and ensure that the consumers’ interests are not flattened or neglected in this process.

In the tangle of arguments and counter-arguments, one thing is clear. If the mergers are approved, a one-way door slams behind us. We will see four large banks become two giant banks, owning between them 70 per cent of Canada’s banking assets, an enormous concentration of power. The massive restructuring and the fallout that brings will change the landscape of financial services in Canada forever. There’s no going back if we get it wrong.

Let me reiterate that the guiding principle for decisions around mergers and scale must be to serve customers effectively and create value for them and other stakeholders. From the evidence presented to date, I cannot be persuaded that Canadian consumers stand to benefit. I do not see increased choice or access. I do not see new and better ways to provide service. I do see decreased competition.

I do not buy the argument that time is running out, that we have to act now or all will be lost. That’s a stampede argument. Threat of oligopoly in the marketplace and the unanswered questions about consumer impact have serious implications for the public interest. On that basis, to the proposed bank mergers, I feel compelled to say: “Not at this time.” If at a future point, there are new issues and new information to consider, the proposals can be put forth again.

Creating and Delivering Value through Service

This takes me full circle to where I began, by discussing the business imperative in light of understanding and satisfying the consumer, and creating value for shareholders—the people we serve.

At the end of the day, financial services businesses are people businesses. The changes that are rocking financial services affect more than bottom lines and share prices. They affect people—consumers and shareholders, employees and communities, investors and policymakers.

As a financial institution, Mutual is in the business of making and keeping promises of financial security and safe stewardship of our customers' resources. As a public company, that accountability and stewardship we have provided to our policyholders will carry into our dealings with a wider and more public circle of investors.

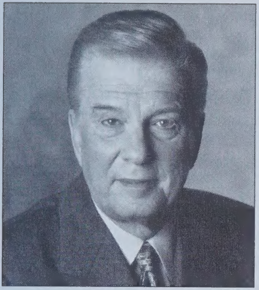
Our ability to serve consumers and broader public interests depends on our own actions and having wise public policy decisions to guide us:

- a regulatory framework for demutualisation.
- fair tax rules to protect the rights and interests of the beneficiaries of stock ownership.
- harmonised ownership rules for life insurance companies, with a transition period of not less than two years for converted mutual companies that would prohibit takeovers and amalgamations.
- decisions on consolidation in financial services that serve the shareholders and the public interest well.

To sum it up, financial services are as much a privilege as a right. Our purpose—our obligation—is to create and deliver value to those who put their trust in us. The changes underway in financial services, done properly, will help us achieve that goal of serving Canadians—the ultimate shareholders.

Thank you.

The appreciation of the meeting was expressed by Bill Laidlaw, Director, Government Relations, Glaxo Wellcome and Third Vice-President, The Empire Club of Canada.



June 25, 1998

A joint meeting of The Empire Club of Canada and The Royal Commonwealth Society

Lloyd Robertson, O.C.

Chief Anchor and Senior News Editor, CTV

REFLECTIONS ON CANADA DAY

Chairman: **Catherine Charlton**
Past President, The Empire Club of Canada and Chairman, The Royal Commonwealth Society

Head Table Guests

Willis Blair, Secretary and Director, The Empire Club of Canada; Gordon Bates, C.M., Volunteer Leadership with Mothers Against Drunk Driving; Thomas O'Grady, C.M., former Commissioner, Ontario Provincial Police; Prof. Ralph Nicholls, O.C., Research Professor Emeritus of Physics and Astronomy, York University; Dr. Reva Gerstein, C.C., Psychologist, Chancellor Emeritus, University of Western Ontario; George L. Cooke, President, The Empire Club of Canada and President and CEO, The Dominion of Canada General Insurance Company; The Hon. Charles Dubin, O.C. Q.C., former Chief Justice of the Ontario Supreme Court; MGen. Bruce J. Legge, CMM, CM, Q.C., Honorary Life Chairman, The Royal Commonwealth Society of Canada and of the Toronto Branch and a Past President, The Empire Club of Canada; Chris Korwin-Kuczyuski, Councillor, City of Toronto and Chairman, The Toronto Canada Day Committee; Molly Killingbeck, Head Coach, Women's Cross-Country and Track and Field, York University and Commonwealth Games Medallist; Greg Edgelow, Commonwealth Games Gold Medallist; Lisa Alexander, Commonwealth Games Gold Medallist and Olympic

Silver Medallist; Steve Burchmore, Manager, Community Relations, Consumers Gas; Michael Clarke, C.M., Executive Director, Heart Touching Heart Ministries; and Rev. Canon Ebert Hobbs, C.D., Honorary Assistant Minister, St. Paul's Anglican Church (Bloor Street) and Vice Chairman, Royal Commonwealth Society (Toronto Branch).

Introduction by Catherine Charlton

Ladies and gentlemen, every weekday night someone visits our millions of homes more than any other person. You might say he's a real "family man." He brings us news and information, supported by insights and a presentation that can only come from a distinguished professional career—a patently Canadian sensitivity.

Lloyd Robertson, Chief News Anchor and Senior News Editor for CTV since 1983, has achieved over four decades a remarkable list of TV credits: host of his own specials on Hong Kong, China and Great Britain; Expo coverage; presidential elections; Olympic Games; budget specials—the list goes on and on.

A native of Stratford, Ontario, and a former anchor of the CBC's The National, and since 1976 Chief of CTV News, our guest speaker has achieved a remarkable canon of distinctive achievements. He has been a staff announcer in Winnipeg and Ottawa and has come to know Canada and Canadians from east to west.

He has been honoured by broadcasters and news directors time after time—a record in itself. This year he was appointed an Officer of the Order of Canada. And his career is far from over, with more, more to come!

If one can say that such a broadcaster/communicator can have a strong, unifying influence on a nation, then Lloyd Robertson is eminently qualified to be the guest speaker at this joint Canada Day luncheon of our two organisations—The Royal Commonwealth Society, Toronto and The Empire Club of Canada.

Ladies and gentlemen, will you please join me in welcoming Mr. Lloyd Robertson, Canadian extraordinaire.

Lloyd Robertson

Madam President, Your Honour Pauline McGibbon, distinguished head table guests, award winners, ladies and gentlemen, I'm delighted to be here for your Canada Day event. It's very special to me and I really appreciate it.

This was the year in which I had the extraordinary privilege of having the Order of Canada hung around my neck by the Governor General. Everyone said: "What was it like? What was that moment like?" Well it caused a rush of illuminating events to cross through my mind—the places I've been, the things that I've done, the corners of this country that I've come to know and appreciate and it has been every corner of this country, the North, the South, the East, the West. When I saw the veterans here today I was reminded of something else. On two occasions I had the privilege of going to Normandy to cover anniversary events for the Normandy landings—in 1984 and again in 1994. What struck me were pictures that we've seen over and over again of the landings by those young Canadians in Normandy all those years ago. Again I had the opportunity to walk through the cemeteries in France, to talk to the people, and to know how much they really appreciate whom we are. We may have trouble identifying ourselves sometimes but they don't. They know whom we are. I was in Hong Kong and went to the Canadian cemetery over there. Many of you here will know the Hong Kong story and it's not a pleasant one but they know whom we are; they can tell you about Canada. So it is up to us to spread the word more effectively amongst ourselves.

I want to begin by telling you about a few of the things I have to cope with on a daily basis. People say to me: "What is it you're asked most often?" You would think that it might be something about a news story of the day. Well it is isn't. The question I'm most often asked (and my anchor colleagues, friends of mine, who have been in this business a long time say the same thing) is: "Who's doing the news tonight?" My wife and I were visiting Venice many years ago, our very first trip to Venice. We were on the canal in a canoe. We were being taken down the canal, the person controlling the canoe was singing away and someone yelled over one of the bridges: “Lloyd, who’s doing the news tonight?” In Venice.

And then there is: “What is the most embarrassing thing that ever happened to you?” Well quite a few things have been embarrassing for me over the years. I suppose the first one that comes to mind is when I was with the CBC years ago and Lyndon Johnson had decided that he would not run for a second term as U.S. president. We had written a line near the beginning of the broadcast about his speech that night which was described as “a plea for peace.” Guess what I did? I left out the critical letter “l” of course. The other one was the night two years after I had been at CTV. I signed off the news in authoritative style I thought saying: “I’m Lloyd Robertson, goodnight from CBC News.” I wasn’t all that popular in the boardrooms for a couple of weeks after that. Nevertheless they appreciate the fact that such things happen.

As we approach this 131st birthday of our country, many of us can look back on 1998 as a year of great achievements. Certainly the people in this room can do that. I can do that as a member of the Order of Canada.

It has also been a good year for our country. The economy is booming along despite some volatile fluctuations between our dollar and the U.S. currency but against the rest of the world the Canadian dollar remains strong and the current restlessness is due in part to the Asian financial crisis.

It has also been a good year for us on the Constitution front. Jean Charest has now taken charge as Liberal leader in Quebec and polls continue to confirm that if an election were held today he and his party would be victorious. One voter sample taken in early June revealed 48 per cent would choose the Liberals and 40 per cent would pick the Parti Quebecois. Looking at the popularity of the two leaders, the results are a little less comforting for federalists. Fifty-nine per cent approve of Lucien Bouchard’s performance as premier, while 60 per cent think Jean

Charest is doing well as leader of the Liberals. A little too close for comfort there perhaps and it serves to remind us that Lucien Bouchard is a formidable opponent who is able to connect with the deep-rooted passions of Quebeckers that so reflect their place as a minority surrounded by a majority on the North American continent.

Think about their position for a moment and put yourself in their place. If tables were reversed and we found ourselves as an English minority on this continent wouldn't we too be fighting to protect our identity, to grow our culture and perpetuate our language? You can bet that we would and especially since we had been led to believe all these years that we were one of the founding partners in the formation of this great country.

But back for a last look at that poll. The most encouraging news of all is that 68 per cent of Quebeckers believe that if re-elected the Parti Quebecois should not hold a referendum on sovereignty. Sixty-eight per cent. Now in polling terms 68 per cent is a formidable number. And 31 per cent feel a referendum should take place. This is similar to results seen in other surveys. The toughest problem for the Parti Quebecois in the coming election whether it is this fall or next spring is that party's commitment to a referendum.

These figures were released just a few months after a study by the C.D. Howe Institute which makes it very clear that the partnership proposed by separatists between an independent Quebec and the rest of Canada would be virtually impossible to achieve. The separatists' basic aim is for an economic union but their proposal also holds out hope for closer ties including a parliamentary assembly and joint policies in fields from foreign affairs to budgetary policies.

Well that's not much different from what we have now you may say. And you're quite right. The study also says that while the rest of Canada might prefer total isolation from their former compatriots in Quebec, Canada and

Quebec are linked in so many ways a surgical separation would be virtually impossible.

A typically Canadian thing happened yesterday which pleased those of us who follow the news. At the Fête Nationale parade yesterday in Quebec a pie was thrown in the face of Bill Johnson. Bill Johnson is the leader of Alliance Quebec and he's a hard liner when it comes to expressing his views about the rights of English-speaking Quebeckers. On many of his points I'm sure he would find a lot of support in this group. He had the pie thrown in his face, the cameras rushed in and the police rushed in and he said: "No, no, no, just a moment, this a free expression of opinion. I have no problem with this. We live in a free country so if you want to throw more pies, be my guest." Lucien Bouchard to his enormous credit said when interviewed: "Bill Johnson has a perfect right to be in this parade. He is a Quebecker after all." I thought that said a lot about where we are today in this country. We can look at ourselves and regard the differences we have not as huge divisions but things that we can tolerate, things we can work out if we try hard enough.

Many feel that now is clearly the time for the rest of the country to open up to Quebec and things are happening in that direction. With little fuss or fanfare the Calgary Accord has been approved by nine provinces. It recognises Quebec's uniqueness and while the Parti Quebecois rejects it, as was to be expected, the hearings on the Accord fell flat in Quebec. And good old Jacques Parizeau. Wasn't he wonderful on this subject? Uncle Jacques, we call him sometimes, stood up and said: "These hearings don't mean anything you know. They are just designed to drop Jean Charest." And Jean Charest said: "Yes you're right."

By opening up to Quebec we must also be careful not to open up old wounds. The last thing we need is another Meech Lake or Charlottetown Accord. People in Quebec and the rest of Canada are sending positive signals but that doesn't mean the members of the constitutional industry should consider themselves back in business. It's probably time to follow the directions of political scientist David Cameron, a veteran of the constitutional wars who was quoted this week as saying: "What if it is the case that what we are confronting is not a problem to be solved but a tension to be accommodated, an arrangement to be lived with, a practical solution which is not perfect but is eminently tolerable. If we carry that wise thought forward it is easy to see that accommodations like distinct society or uniqueness are not really roadblocks but are easily tolerable." Yes I know B.C. is distinctive, Newfoundland is distinct, Nova Scotia is distinct, Manitoba is distinct, Ontario is distinct but Quebec is more distinct because its clear language and cultural differences from the rest of the society are apparent to anybody who has ever been there. Now there are always forces lurking in the background and these forces will entice politicians at one time or another towards centralisation, de-centralisation, secessionist fragmentation, Quebec separation, B.C. separation, Maritime union and on and on. The important factor in any democracy is a ready acceptance of the basic values we all share. And that basic value is an entity called Canada which for all kinds of reasons is recognised time and time again, far and wide, as the best country in the world.

I'm going to quote here from a man who wrote "What is a Nation?" He gave a lecture at the Sorbonne in 1882. Here is what he says about a nation and I think some of it applies to Canada today. "A nation is a soul, a spiritual principle. Two things constitute this principle. One lies in the past, the other in the present. One is the shared possession of a rich legacy of memories of the past. The other is consent in the present, a desire to live together, a will to continue to make the most of undivided heritage. The nation like the individual is the culmination of a long history of effort, of sacrifice and of devotion. A nation is therefore a vast solidarity constituted by the knowledge of the sacrifices made in the past and of those we are willing to make for each other in the future. In the present, however, it amounts to one tangible thing and it's the only thing that matters which is consensus and a clearly expressed desire to pursue a common life. The existence of a nation is a daily plebiscite, just as individual existence is a perpetual affirmation of life." And from what we see, from our positions across Canada at this time on the eve of Canada Day as we approach our 131st anniversary, is a Canada that is calmer, more reflective, with people more willing to live together than ever before.

Ladies and gentlemen, I think 1998 is a good year for Canada. I hope it is a good Canada Day for you. God bless you. Have a happy and wonderful Canada Day.

The appreciation of the meeting was expressed by George L. Cooke, President, The Empire Club of Canada and President and CEO, The Dominion of Canada General Insurance Company.

Gareth Seltzer, Vice-President, Private Wealth Management, Guardian Capital Inc. and Immediate Past President, The Empire Club of Canada and Robert Astley, President and CEO, Mutual Assurance Company of Canada.

(Robert Astley's speech starts on page 62.)

September 10, 1998

Hugh D. Segal

Candidate for the Leadership of the Progressive Conservative Party of Canada

A NEW VISION FOR CANADA

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Margaret Samuel, Vice-President, RBC Dominion Securities and a Director, The Empire Club of Canada; The Rev. Dr. John Niles, Minister, Victoria Park United Church; Andrew Willis, OAC Student, Oakville Trafalgar High School; David Rosenberg, Vice-President, Director and Senior Economist, Nesbitt Burns; The Hon. Michael Wilson, Vice Chairman, RBC Dominion Securities Inc.; The Hon. Ernie Eves, Q.C., Deputy Premier of Ontario and Minister of Finance; Gerald Sheff, Chairman and CEO, Gluskin Sheff and Associates Inc.; and Kathleen Hermant, Vice-President, North Point Enterprises Ltd. and an Honorary Director, The Empire Club of Canada.

Introduction by George L. Cooke

Our guest speaker today is Hugh Segal, the first of four Progressive Conservative Party of Canada leadership candidates who will address our Club this fall. He is presently an Advisor at the investment firm of Gluskin Sheff and Associates Inc. as well as a Resident Fellow at The School of Policy Studies at Queen's University and Adjunct Professor at the School of Business.

Many of you will know Hugh as a "Pundit" who frequently "observes" on our country's top public affairs programmes. Obviously qualified, his curriculum vitae indicates that he has been associated with many notable political leaders including Jean Charest, Bill Davis, Larry Grossman, Mike Harris, Frank Miller, The Rt. Hon. Brian Mulroney, Robert Stanfield and Claude Wagner.

Undoubtedly, if he were just a little older, that list would also include leaders like Sir John A. MacDonald!

Born in Montreal, a former National Vice-President of the PC Young Federation of Canada and author of two books, Hugh is married to Donna and has one child, Jacqueline.

Over lunch, I think I heard two of our head table guests talking about tax cuts and the need to eliminate disincentives for small business. But... this is not my speech, it's yours, Hugh... we welcome you to the Empire Club.

Hugh Segal

It has always struck me as essential, in almost every aspect of life, to keep a sense of perspective and balance and, above all, a compelling determination to build as much as one can for the future.

The Tory leadership race in which I am a candidate would benefit immensely from this perspective, balance and focus on building.

Let us be frank. The Conservative Party has a huge task ahead of it—a task that will summon every ounce of strength, energy, vitality and courage, and then some, from the new leader. Reaching out to Canadians both to the right and in the moderate centre core of Canadian politics will require more than just willpower, hard work or nostalgia. The meaningful advancement of Conservative Party fortunes will depend more on why we should seek to form a government than simply how.

What is our role in the Canadian political system? What is our duty to history, and what is our vision for Canada's future? Why do we actually want to form a government? It is essential that the successful candidate for leader articulates the answers to these questions.

As part of this process I believe that each candidate must provide the party and the nation with a clear articulation of his priorities. Throughout this race I have done this by releasing a series of detailed policy proposals for the consideration of the party and the country. Among those released to date are Papers on National Defence, Reform of our Democratic System, Social Policy and Poverty, Healthcare and Restructuring the Party Organization.

Although we will ultimately sit down to set policy together as we prepare for the next election, party members deserve to know where their leaders personally stand. After all, party members expect the leader to play a role in the policy process, and not simply to be another moderator.

I have chosen to release policy discussion papers because I believe that people are motivated in their political decision making by compelling ideas. I also believe that our party is the proper home for ideas that are innovative and that inspire hope and confidence.

Today I am here to address economic, taxation and fiscal priorities, and to discuss the state of our economy and my thoughts regarding the creation of wealth and the pursuit of community. For some time now, we have been treated to repeated assurances from the Prime Minister and the Minister of Finance that in our tiny patch of the world all is indeed well.

Let me suggest that Canada's position is a lot more tenuous than we think. Our productivity is dangerously low compared to our closest trading partner, the United States. Our debt-to-GDP ratio is too high. We have too great a reliance upon commodity sales for export earnings. By doing this we continue to tie our economy to world commodity price fluctuations.

On top of all of this we have a tax system that drives some of our brightest to leave the country, while making criminals of many others who turn to the underground economy in pursuit of relief. Taxes in this country have reached the point where they are a disincentive for many Canadians to work hard, and for some to work at all.

Most telling are the facts that Canadians' savings are at an all time low, our level of personal indebtedness is at an historic and menacing high, and our contributions to personal retirement savings plans are comparatively modest.

And if all of this weren't bad enough, the Liberals in Ottawa tell us not only that everything is fine, but that none of this is important enough to do anything about. The reality is that the economic recovery which we have enjoyed has taken place despite, rather than because of, government policy made in Ottawa. Instead of setting the preconditions for growth, the government has continued to tax away incentive and rely on export growth led by a low dollar.

Mr. Martin's economic plan discourages the creation of wealth. The absence of encouragement for wealth creation will cripple our economic capacity to maintain the safety net Canadians value.

My vision for the Conservative Party requires that the party be a vehicle for hope—that we plan an agenda for fostering enterprise, wealth creation and the vitality of our community together.

My primary goal as prime minister would be to build a civil society. This is a society that emphasises community, wealth creation and principles of equality of opportunity through the provision of fairness to all rather than subsidy to some.

In a civil society, the government may steer but very definitely does not now. The heavy work, that of innovating, creating and selling products and services both domestically and abroad, is best done, in most cases, by the private sector which is splendidly equipped to do just that.

The function of government is to provide the infrastructure needed to facilitate economic activity, the legal framework for the pursuit of law and order, and a social environment that promotes fairness and opportunity for all Canadians.

I believe that government should and must take purposeful action toward removing impediments to growth and creating the kind of environment where the economy has a chance to thrive.

These fundamental beliefs about the role of government are informed by my roots. As the son of a cab driver in Montreal and the grandson of immigrants I learned the importance of enterprise and economic opportunity, first hand. My grandparents and my parents worked to ensure a future of opportunity for my brothers and I. As a businessman I know how the private economy works, how government can set the stage for growth, and the constraints which should limit government as a direct actor in the economy.

These are lessons which are sadly absent in Ottawa. In the world of Jean Chretien and Paul Martin, it's all right that Canadians are working harder and harder and keeping less and less. They are paying more and more taxes and getting less and less service. People are fearful for their futures; we must replace that fear with hope. To do that we must face some hard realities.

The percentage of earned income transferred by Canadians to government is at a record high, despite the claims by the Liberals that they've beaten the deficit. Sales taxes and capital gains taxes are almost double what they are in the U.S.

Regrettably, "bracket creep" has left Canada with a tax system with a participation threshold that is the lowest among our trading partners, meaning that more than a million of those people at the low end of the income scale have been sucked into the tax system in the last 10 years.

Combined corporate tax rates in Canada continue to exceed those in the U.S. and are restricting companies from making job-creating investments in the country.

Again, this is killing the opportunity to reduce the underemployment and unemployment evident in so many of our communities.

Our productivity is lower than needed to sustain any type of competitive advantage should the economy take a turn for the worse.

But yet the Liberals say not to worry. Everything is fine. All is well.

I frankly disagree. I believe that Canadians deserve to keep more of the money they earn. I propose that it's time to curb the voracious appetite of government and put the tax system back to work for the people who do the work.

You do not build a civil society by depriving Canadians of any hope of ever improving their material well-being, just to satisfy the seemingly endless appetite of big government.

You build it by rewarding initiative, encouraging risk, and liberating entrepreneurial activity. You build it by giving our best and brightest—our sons and daughters—more reasons to stay home and succeed, rather than seek their fortune south of the border where lower taxes help their dollar go farther. You build it by working hard to run government more effectively, at lower cost, so that people can keep more of their money and with it make economic choices for themselves.

In fact, the single overriding theme of my economic platform is this: If we free up individuals to make decisions about the economic well-being of their families and communities, Canada will succeed dramatically in the 21st century.

In order to do that our efforts must be focused on reducing the federal personal income tax burden faced by Canadians by some 20 to 25 per cent. Doing so with utmost haste is the most important mission my party will undertake in government. That is a substantial sum, and accomplishing it will not be easy given the tangled web of transfers and tax policies in this country. But there are numerous examples across North America of jurisdictions that are reducing the tax burden faced by their citizens while delivering services and encouraging economic growth.

To achieve this goal, I would want a Conservative government to explore six initiatives. We will, of course, do this within the context of our national economic realities; and with a core zero-tolerance towards deficit financing. This is about building a responsible agenda for economic opportunity.

First, we will eliminate bracket creep. This is an undesirable process maintained by the present government that relies on low inflation to raise taxes under cover of darkness. In the current environment, tax brackets remain fixed unless inflation exceeds 3 per cent. But with low inflation, the government has been picking the pockets of hardworking Canadians who may have only been able to earn a cost-of-living increase in these highly competitive times. With bracket creep, they become worse off every year. This must stop.

Second, employment insurance premiums will be dropped to 1.7 per cent from 2.7 per cent of wages. These premiums are little more than taxes on jobs. But more importantly, the EI system is in surplus now to the tune of some $20 billion. This surplus is totally unnecessary and far exceeds the deficit in the EI account during the last recession. If this money isn't to counterbalance an economic down cycle, then it isn't insurance; it's simply another tax. With a drop of one full percentage point in EI premiums, GDP would rise by about 2 per cent and some 175,000 jobs would be created.

Third, we must make significant changes to marginal tax rates. A Conservative government should cut the effective marginal tax rate for middle-income Canadians by raising the definition of middle income to somewhere closer to reality. Currently middle income is defined as net income between $30,000 and $55,000 and the federal tax rate for this income level is 26 per cent. When one includes payroll taxes and provincial taxes, the marginal tax rate for someone earning in the range of $30,000 can be around 50 per cent. This is a rate that rivals the highest in the world and acts as a massive disincentive to work, innovation, and the creation of wealth and investment in the economy. We would propose defining middle income as falling into the $37,000–$68,000 income range. Next, the taxpaying threshold should be raised from $7,000 to $9,000 over five years, and the marginal rate at the top end should be dropped from its current combined federal and provincial level of 51 per cent to 45 per cent over the same period. It is intolerable that low-income Canadians be asked to shoulder a tax burden at such a meagre income level. It is equally intolerable that people who succeed in life be penalised rather than encouraged. We must plan to begin to address both of these challenges in the first Conservative federal budget. In order to encourage investment, our government should lower capital gains taxes by 10 per cent. This cut will generate new jobs and investment, leading to increased revenue earned through new economic activity.

Fourth, we will endeavour to start by reducing the GST to 6 per cent, a 10-per-cent reduction, and begin to work towards a 30-per-cent cut over time. Our analysis indicates that the 30-per-cent reduction in the GST alone will result in the creation of more than 200,000 jobs and the expansion of GDP by 1.7 per cent. And it is a fair way to put money back into the hands of all Canadians, and into domestic retail demand.

Fifth, the need for maintaining balanced budgets is a paramount concern for Canadians. A balanced budget law with teeth is needed in this country. And at the same time, a Conservative government must lower the debt burden of Canada by setting targets for debt reduction until the federal government achieves a debt-to-GDP ratio of about 35 per cent over 20 years. We will make our first annual payment on debt principle beginning in our first year. Like a mortgage on our homes, we must commit to making these principle payments to put our financial house in order, and to increasing the amount of these payments whenever the economy permits.

And sixth, core services that Canadians expect are going to be protected. Our government should agree on a binding covenant with the provinces to ensure that the health-care and education systems will be underpinned by realistic and fair negotiated federal cash and tax point transfers, as opposed to cuts imposed unilaterally on the provinces by the Minister of Finance in Ottawa.

Ladies and gentlemen, I believe that the combined effect of the cuts that a determined Conservative government should work towards in our tax system can be accommodated within a modest growth scenario and zero-tolerance of deficit financing. These tax cuts will have a positive effect on GDP growth and should stimulate directly and indirectly the creation of more than one million jobs.

This is the economic proposal that I make to my fellow Conservatives and Canadians. It is entirely consistent with our party's efforts to open up our economy to greater competition, to enable Canadian firms to succeed at home and abroad, and to make it possible for Canadians to earn a higher standard of living for themselves, their families and their communities.

Recently, following the release of my discussion paper on poverty and opportunity I was meeting with the Editorial Board of a newspaper in one of Canada's largest cities. "Putting out a paper on poverty" I was told, in a very good natured way, "is not a very conservative thing to do."

My response is very similar to the biases I express to you today. If one believes in economic freedom and wealth creation and in fostering an enterprise society, one must also believe in a basic equality of opportunity. At the same time that we pursue a free market, we must invite more and more Canadians to join the economic mainstream, not fewer and fewer. Our socialist opponents believe in equality of outcome—and often legislate and regulate to get there at society's and freedom's expense. Tories believe in equality of opportunity as a pillar in support of a vital and dynamic marketplace. But that can only be achieved with real wealth creation which in turn requires a restrained tax system—a system that serves rather than confines our fellow citizens.

I believe that the Conservative Party is Canada's best vehicle to achieve the balance of community, opportunity and enterprise we need as we build our individual and national futures. Together I believe that we can set the national agenda and refocus our joint efforts on providing Canadians with government that understands industry and initiative and aims to set the preconditions for growth. In this cause, I ask for the support of Conservatives and Canadians throughout this magnificent country.

Thank you very much.

The appreciation of the meeting was expressed by The Hon. Ernie Eves, Q.C., Deputy Premier of Ontario and Minister of Finance.

September 17, 1998

Dr. Jack L. Granatstein

Director and CEO, Canadian War Museum

"WHO KILLED CANADIAN HISTORY?"

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

The Hon. Barnett Danson, P.C., Q.C., Chairman, Advisory Committee of Canadian War Museum, former Defence Minister and Honorary Director, The Empire Club of Canada; Rev. Vic Reigel, Honorary Assistant, Christ Church Brampton and Padre, Royal Canadian Legion Branch 15, Brampton; Phyllis Bruce, Publisher, Harper Collins Publishers; Richard Nielsen, President, Norflicks Productions and Producer of TV Series "No Price Too High" and Member of Advisory Committee, Canadian War Museum; Prof. Robert Bothwell, Professor of History, U of T Trinity College and Member of Advisory Committee, Canadian War Museum; Adam Zimmerman, Author of "Who's in Charge Anyway?" and Member of Advisory Committee, Canadian War Museum; General Paul Manson, former Commander of Air Force and Chief of Defence Staff, Vice Chairman of Advisory Committee of Canadian War Museum and Chairman of "Passing the Torch" Campaign; Patrick Luciani, Director, Donner Foundation; Jeffrey Sack, Q.C., Partner, Sack Goldblatt Mitchell; and Marcia McClung, President, Applause Communications and a Director, The Empire Club of Canada.

Introduction by George L. Cooke

Dr. Jack Granatstein is the Director and CEO of The Canadian War Museum in Ottawa. He is the Rowell Jackman Fellow at the Canadian Institute of International Affairs, a member of the Royal Military College of Canada Board of Governors and distinguished Research Professor of History Emeritus at York University. These represent only a few of the many activities in which Dr. Granatstein is involved.

He has held the Canada Council's Killam senior fellowship twice, was editor of the Canadian Historical Review, and was a founder of the Organization for the History of Canada. He is a Fellow of the Royal Society of Canada which, in 1992, awarded him the J.B. Tyrrell Historical Gold Medal "for outstanding work in the history of Canada." He has many other significant distinctions. If I were to mention them all, we wouldn't get the opportunity to hear him speak today.

His recent book "Who Killed Canadian History?" one of many that he has authored, is the background for his talk today. It has been described in a recent book review as "a well written, insightful and provocative book." This particular review goes on to comment: "Having witnessed the 'death' of our national history he (Granatstein) proceeds to attribute blame citing boring academics, cowardly politicians, ineffective teachers and advocates of official multiculturalism." It seems no wonder that this book has created interest and debate.

When he is not writing or teaching, Dr. Granatstein comments regularly on historical questions, defence, and public affairs in the press and on radio and television.

If one believes that history is the foundation for our future, Dr. Granatstein's book is required reading; and I suspect that today's talk will be well received. Enough said, we're honoured today to have the chance to hear Dr. Granatstein's views and let's welcome him to The Empire Club of Canada's luncheon meeting.

Jack Granatstein

Ladies and gentlemen, it was very good of you to come out on a nice day.

My favourite publisher in Canada, Phyllis Bruce, is at the head table and I know that she was as surprised as I was by the success, at least in terms of sales, that "Who killed Canadian History?" has had so far. I don't think we expected this book would sell more than a couple of thousand copies but it has in fact done a good deal better. So much so that Phyllis is now suggesting that I do a series: "Who maimed Canadian Mathematics?" "Who Bludgeoned Canadian Physics?" "Who Pushed Canadian Political Science in Front of a Truck?" I don't think I really want to do it but I think the titles all should be written by someone.

Why did I get interested in the idea of doing a little polemical book on the state of the country's history? There were two very different events that made me feel that I had to do this.

The first came in May 1995 when I had the very good fortune to go with the CBC to cover the 50th anniversary of V-E Day in the Netherlands. For a historian of the Second World War this was something that was simply too good to pass up but it turned into the single most extraordinary event of my life. To see the veterans, now mainly very old men, being hailed by those they had liberated 50 years before was deeply moving. In the Canadian War Cemeteries I saw Dutch parents putting down flowers and telling their children that these young boys had come from across the sea to liberate them and that too was extraordinarily moving. To watch the incredible parade in the little town of Apeldoorn a few days before V-E Day, to see half a million people in the streets cheering themselves silly as 10,000 Canadian veterans went by, was incredible. To see 20-year old mothers holding up infants to kiss a veteran, so they could say that they had touched one of the men who had liberated their country, left me in tears.

We marked the anniversary of V-E Day in Canada but there were no crowds of 500,000 in our streets. There were no banners as there were in Holland saying "Bless you boys" in English. The Dutch who had to be liberated, who had lost their freedom, remember. Present-day Canadians, I regret, if they ever knew that there had been a Second World War, probably remembered only that this country had been unkind in the way it treated Japanese Canadians. How could this have happened? Who killed Canadian history?

The second formative event in pushing me to write this book came when a very good friend showed me five essays written by his eight-year-old son at a private school. Brad, eight years old, was in grade two and he was being taught Canadian history. If he had been in a public school he wouldn't have been. In a private school he was and I suppose that's a good thing but what concerned me was what his essays were about. Five essays from a first introduction to Canadian history. The first one concerned Samuel de Chaplain's abuse of his thirteen-year-old bride; the second, the extermination of the Beothuk by the white man in Newfoundland; the third, the execution of Louis Riel by the Government of Canada; the fourth, the maltreatment of Canada's first woman doctor by her medical peers; and the fifth, the internment of Japanese Canadians. That was Canadian history as presented to an eight-year-old child by his teacher. Our history, Canada's history in other words, was about sexism, racism, and the abuses of government. Nothing else.

There was no attempt to have a chronology, a basic tool of Canadian history or any other. There was no attempt to put events in context. There was no attempt to balance evil with good. Instead incidences were pulled from the past and stuffed down children's throats to prove a point that a particular teacher deemed important. Why? How could this have happened? Who killed Canadian history?

These two events convinced me that I had to write this book. As someone who has been obsessed with history since the day I learned to read, as someone who taught in a university for 30 years, I assumed that I knew why history was important and how it was being taught. And I was wrong. History is or should be about the way humankind has moved, not always progressed, but moved through time. History is about how ordinary men and women lived in different eras, how great leaders changed the course of events and here in this country how Canadians settled the land and built a great good society through the efforts of countless millions from all over the world. History is not a grab bag out of which moralising lessons are pulled. It is not distortion. It is not a wilful forgetting of hard-learned lessons. It doesn't matter; after all our history is boring isn't it? Does it matter if it is forgotten or maltreated? Yes it really does matter.

Without a sense of our past, we are like poor souls wandering lost in a forest without a map. Without a sense of our history we can have no future. Without a firm grasp of whom we were and whom we are, we cannot hope to successfully integrate the newcomers who come to Canada to build a new and a good life in this most favourite of nations. Without history our children will know nothing of what made Parliament, our laws, our society the way they are. Without history and the techniques that study teaches us, the ability to read, write, reason can never be well taught. And speaking from my war museum post, without history our sons and daughters will never know what their fathers and grandfathers did to help save the world. The Dutch know but we do not.

I see the effects of this attitude in Canada every day in Ottawa. The Canadian War Museum is over 100 years old but it exists in makeshift quarters—the old public archives building on Sussex Street. Its warehouse is an Ottawa streetcar barn. It has inadequate funding, grossly inadequate exhibits and yet the Canadian War Museum has one of the world's great collections of art and you didn't even know that. Twelve thousand five hundred pieces of art are in the Canadian War Museum. The National Gallery of Canada has 9,000 pieces of Canadian art. We have one art historian, one conservator to look after 12,500 pieces of art. The National Gallery has five curators and uncounted numbers of conservators and may I say about 10 times the space that the War Museum has.

And this isn't just dabblings by amateur painters that we have. We have paintings by the Group of Seven all of whom were official war artists in the First World War. There are astonishing pieces of art there and almost no one in Canada has seen them. We are seeking funding from the Donner Foundation to send a great travelling exhibit of the best pieces of Canadian war art across the country and into the United States.

The War Museum has more than art though. It has an astonishing collection of vehicles including a World War I tank that we have just acquired, an operating DUK, and virtually every model of military vehicle made in Canada. It has a huge uniform collection including General Brock's coat that he was wearing when he was killed during the War of 1812. It has just about half a million artifacts of different kinds. And all these treasures, and they really are treasures worth hundreds of millions of dollars, are in danger because the buildings they are in are unfit museologically and we haven't got the money to take care of them the way we should. The buildings are simply inadequate. In a prolonged fit of absence of mind we are on the verge of seeing a precious part of our heritage disappear into dust and mould.

If we cared for our past at all this would not be. We would have war art galleries properly displaying the magnificent art that came out of the horror of war. We would have a museum that spoke proudly about Canadian efforts in Vimy, in The Hundred Days, in Sicily, in Italy, Normandy and the Schelde, in Korea, and NATO and in peace-keeping. Instead we have to scramble to try to keep Canadian military history alive at a time when almost no one except a few veterans and a very tiny number of academics seem to care.

Why? Why is our history almost dead? Because the federal government is unwilling to leap over the provinces to try to reach the people with their history. Because our provincial governments preach regionalism instead of teaching the history of the country. Because well-meaning people fear that if we teach about war we are glorifying conflict. Because school bureaucrats fear that teaching art history will offend someone, will make a child or a recent immigrant group uncomfortable. Because we believe wrongly that our history is divisive or boring or so undistinguished that it is not worth learning. Because academics study increasingly smaller and unimportant subjects and write their books and articles in the most boring way imaginable. Because the media deliberately sensationalises and applies 1990's morality to past events. Think for example of the television series "The Valour and the Horror."

All of these things have been disastrous in my view in their impact on our consciousness of ourselves as Canadians. Let me be clear. We should study our failures and learn from them. But we should also study our successes and not just wallow in our failures. History matters. Perhaps we are just starting to realise this.

The Ontario government has put some history back into the public schools although not enough. It has, however, done nothing for the high schools where there is only one compulsory course on the history of Canada—Twentieth Century Canada. It's frankly a hodge podge of civics and social studies and English as a second language, and a bit of politically correct history. And there's no signs that it will do anything more. This is important because in the high schools kids are able to actually grasp what they are being told whereas in the public schools it's simply stories. The Alberta government is talking about putting more history in the schools and so is Quebec and that I guess I could say is a bit of a mixed blessing.

Red Wilson, the chairman of BCE, has put up half a million dollars of his own money for a foundation for Canadian history. And the fundraising for that worthy foundation will soon get underway.

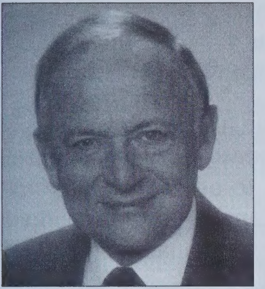
We do have a history and we do need to study it and to learn from it. Canadians have worked together to build a nation, a nation that is far stronger than the misguided fools who would try to tear it down. We made a nation by working together, by doing great deeds in the past, knowing we can do more in the future—the usual definition of a nation. We need to know this for if we kill Canadian history, we will surely destroy our present and future.

So who killed Canadian history? Who are the guilty people? You and me by not paying attention to what was going on in the schools we sent our children to, by voting for school trustees and MPPs who have literally no interest in education.

Who can resurrect Canadian history? Again you and me by demanding changes, by voting for those who promise to restore the past, the understanding of the past for the present, because if we can do that then maybe we just might have a future.

Thank you very much.

The appreciation of the meeting was expressed by The Hon. Barnett Danson, P.C., Q.C., Chairman, Advisory Committee of Canadian War Museum, former Defence Minister and Honorary Director, The Empire Club of Canada.



September 22, 1998

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

Harold MacKay

Chairman, Task Force on the Future of the Canadian Financial Services Sector

CHANGE, CHALLENGE, OPPORTUNITY

Chairman: **Mary Anne Chambers**
President, The Canadian Club of Toronto

Head Table Guests

George L. Cooke, President and CEO, The Dominion of Canada General Insurance Co. and President, The Empire Club of Canada; David W. Smith, Chairman, PricewaterhouseCoopers; Raymond Protti, President and CEO, Canadian Bankers Association; The Hon. Thomas A. Hockin, P.C., President and CEO, Investment Funds Institute of Canada; Libby Burnham, Q.C., Counsel, Borden & Elliot and a Past President, The Canadian Club of Toronto; George D. Anderson, President and CEO, Insurance Council of Canada; Richard Buski, Partner in Charge, Canadian Banking Practice, PricewaterhouseCoopers; Catherine Swift, President and CEO, Canadian Federation of Independent Business; Mark R. Daniels, President, Canadian Life and Health Insurance Association; Michael F. Garvey, FCA, Partner, PricewaterhouseCoopers and a Director, The Canadian Club of Toronto; The Rev. Father Jeffry Kennedy, Rector, St. Matthias Anglican Church; and Catherine Steele, Vice-President (Ontario) and Partner, GGA Communications and a Director, The Empire Club of Canada.

Harold MacKay

Thank you very much for inviting me to be with you.

Some 20 months ago, our mandate from the federal Minister of Finance was, in effect, to advise the government on how best to assure that Canada—and individual Canadians—remain well-served by the Canadian financial system in a rapidly changing world.

A diverse team was named to the Task Force, giving us the breadth and scope of experiences—and knowledge of the country—that added great value during our work.

We agreed early on that the dramatic pace and intensity of change—in Canada and worldwide—was a critical factor. Driven by technology and globalisation, change is having a profound effect on the world and all of its citizens.

Jets and fibre optics and satellites have made the world a smaller place. And as the world is shrinking, it's also changing. Change is forcing countries to reinvent themselves. Not that long ago there were two Germanys and Russia was a formidable power. A dozen years ago, only one country in four had a democratic government. Today, two-thirds of the countries in the world are democracies. Ten years ago one billion people lived in a market economy; today five billion people do.

The same forces of change are clearly affecting the financial services sector. Capital markets have become global, new competitors with advanced technology are threatening existing players, consumers have new means to access financial services and a whole new range of consumer needs and issues are looming.

A few facts and figures illustrate the force and power of the change process:

- Since 1994, telephone banking has grown 50 per cent per year and the use of debit cards by a stunning 91 per cent annually.
- The total assets invested in mutual funds increased by an astonishing 600 per cent from 1991 to 1997. Today, Canadians have more money in mutual funds than in bank deposits.
- One Internet bank claims it is able to approve mortgage applications for 80 per cent of its clients in just 30 seconds from application to approval with its on-line credit approval process.
- Today, the five largest Canadian life insurance companies have about a 60-per-cent share of the domestic life insurance market, compared with 40 per cent just seven years ago. In fact, those five companies have a greater share of the life insurance market than the five largest banks have of the personal deposit market.

These examples underscore the profound changes taking place in our financial services sector and mirror what's happening globally.

We commissioned 18 in-depth studies that examined important areas of our financial services sector. We carefully reviewed more than 250 submissions and we met with more than 100 individuals and groups in 11 cities across Canada. By the time all that information was compiled, we certainly weren't lacking for input.

We then faced the daunting challenge of assessing what we had learned and agreeing on what it should mean for Canadian public policy. The result is our report with 124 unanimous recommendations for changes to the Canadian financial services sector. It's entitled 'Change, Challenge, Opportunity' because we believe we have set out a cohesive public-policy framework—a framework for Canadians to manage the challenges of change in a way that realises new opportunities.

Now, you may quite rightly ask: So, what's the big deal? You can get a loan, buy insurance policies, make payments through your nearby ATM and shop with your debit card. Well, there is a big deal. It's a global deal. And we're seeing it unfold right now. We're seeing it in Russia. And in Japan. And in numerous other countries where financial systems are under considerable stress. The big deal is not just the failure of institutions, but the demolition of the savings—and the hopes and dreams—of individuals and small businesses.

A well-designed, well-managed, flexible and forward-looking financial services system for any nation is one of its most important critical success factors. When financial institutions work well, an economy functions better and the lives of individuals are made easier. When they do not, shockwaves can—and do—undermine the economic well-being of citizens, of businesses and of the nation.

More than ever before our own personal futures are linked to events in the world over which we have very little control. To some extent, that's a rather frightening thought. But it's a reality. We're all active players—whether we like it or not—in the financial minefield of a global economy that reacts instantly to every tremour of change. And while the forces of change are global, their impacts are local. Our challenge as Canadians is to recognise change, to anticipate it, and to manage it in our own best interests.

Our Task Force verified that our banks and other financial institutions are strong and healthy, with sound balance sheets. In fact, the World Economic Forum ranks Canada at the top of 53 countries for the soundness of our banking system. Our large financial institutions are national in scope. They provide consistent service standards, pricing and product delivery and offer state-of-the-art technology for customer convenience. Many have done very well in international markets. The result is good for us, good for job creation in Canada, and good for the Canadian economy. So for what is a relatively small country, Canada has some remarkably strong and successful financial institutions. We have a strong foundation and we are well positioned to cope with change. That's the up side. But every coin has two sides. So let's look at the down side.

We have a strong national banking system, but it's been built at the cost of protecting our domestic banks from foreign competition. The result is less innovation and competition than we'd like to see. In fact, the same Forum survey ranks Canada 41st out of 53 in terms of competition from foreign banks—not a good ranking.

We also have a very centralised system. National institutions don't always have a desirable level of sensitivity to regional and local conditions. In Canada, we have not enjoyed the successful 'second tier' institutions that in some countries provide more choices for personal services.

Our financial services sector also must live with the reality of Canada's divided constitutional jurisdiction. That makes it more difficult for us to develop coherent laws and frameworks that allow the sector to flourish with good, fair competition. And it's more challenging to protect the consumer.

In addition to these challenges, traditional players are facing new kinds of change. In the past two years alone we have seen:

- Two new virtual banks start up in Canada—operating through telephone and Internet with no branches;
- The entry into Canada of specialised American credit card companies that are international powerhouses; and
- Consumer choice in mutual funds expand dramatically, with nine new companies and more than 100 new funds.

While those may be problems of change for some of the existing institutions, they represent important new choices—and a benefit—to Canadian consumers.

Clearly, a lot is going on. And the Task Force believes that we have only begun to witness the impact of the forces of change. Looking ahead, we can see smart cards that Canadians can load with cash through home phones—totally bypassing their banks and credit unions. We can also see Canadians more often using the Internet's emerging electronic shopping malls.

The Task Force believes that these trends will continue to mushroom. The changes will come sooner rather than later. Banks and other financial institutions we know today may well be unrecognisable within the coming decade. All this creates many challenges for consumers and for institutions alike.

Consumers will find their choices increased. But they may have difficulty understanding new and complex products and choosing those that are best for them. They may also be much more concerned about control over their sensitive personal information in an increasingly electronic marketplace. Financial institutions will need to adapt to new forms of competition to stay healthy. We see them seeking new strategies for success. And well they should. The Task Force is convinced that the status quo is no option for them or for their customers.

The bottom line is that our financial sector is in pretty good shape and serves Canadians reasonably well. But it's not good enough. And it's being challenged. We believe Canadians can and should have a strong, but more competitive and more accountable, financial services industry. And that's what our Task Force committed to provide. As a part of our work we brainstormed together and developed a coherent vision of a financial services sector that will better serve Canadians, well into the next century.

Our vision will deliver a sector that provides excellent choices in products, service levels and prices with terms and conditions clearly expressed and easily understood. Consumers won't feel pressured. They'll have easy and affordable access to independent redress mechanisms if they've been mistreated. And all consumers will have access to basic financial services and effective control over their personal information. If that sounds like common sense, it is. We think it's also good business sense.

To serve customers well, we see a financial services sector that is fully open and competitive, with a broader range of service providers able to serve consumers in all areas. It will be easier to start up new banks and for foreign companies to enter our markets. There will be many large and small, regional and national financial institutions—some of them world-class competitors and most of them Canadian-based. They'll be effectively governed and demonstrably committed to excellence, innovation and service.

To help make all this happen, we need a regulatory framework that provides a better balance between ensuring safety and soundness, effective competition, and consumer protection. We need forward-looking, flexible regulation—to anticipate change and to help institutions and consumers manage it well, in the public interest.

Our recommendations are directed at achieving this vision. We have put every one of them to a common litmus test—will the change we propose assist the Canadian consumer?

Today, time won't let me go into detail on our recommendations. But let me summarise some of the key recommendations. Our Report has four broad themes. The first of these is enhancing competition and competitiveness. We make recommendations to strengthen the position of existing participants and promote new players, so consumers will have more choice. For example:

- We recommend opening the payments system to life insurance companies, money market mutual funds and investment dealers. This means you won't need a bank account to write cheques or use a debit card. Other institutions will compete to provide these services and that should lead to better pricing, improved service and more innovation.
- We propose new powers for credit unions to make them more effective competitors. This includes the ability for credit unions and their centrals to become or to form national co-operative banks.
- We propose a new, consistent ownership regime for all financial institutions to make it easier and more attractive to start new banks—with a 10-year holiday from capital taxes and streamlined approval processes to assist start-ups.
- We recommend changes to make it easier for foreign banks to operate in Canada, and we present a framework that allows them to offer credit to Canadians from outside the country.
- We propose that deposit insurance for banks be integrated with policyholder compensation plans for life insurance companies, to reduce the competitive advantage that banks now enjoy.
- We urge that the Interac network allow Canadians to make deposits to any institution through an ATM, just as you can now withdraw funds.
- And, we recommend that through their branches, banks and trust companies can offer insurance and automobile leasing—to offer the same broad range of choice for Canadians for these products as customers have in Europe and the United States.

We're also proposing changes to increase options for our institutions to adapt to the new realities they face.

- We propose a much more flexible wide ownership regime that will provide large banks and insurance companies with more flexibility to enter into strategic alliances, including acquisitions, while preserving them as Canadian-based companies.
- We also recommend important changes to taxation and to accounting principles that will make our institutions more competitive.

We believe that it is up to institutions to determine the business plans and strategies that make most sense for them. And mergers are one legitimate strategy. While our Task Force didn't have a mandate to review specific transactions, we did consider merger policy. We concluded that it would be shortsighted for Canada to rule out mergers of large banks and other financial institutions without even considering them. There should be no "big shall not buy big" policy. Careful and disciplined case-by-case review should take place.

We recommend a Public Interest Review Process to assess mergers of large financial institutions. It includes formal public input. It sets out criteria to judge whether a merger is in the public interest. It includes a requirement for merger proponents to identify public interest benefits and costs and to demonstrate that their merger will not harm the public interest. And it provides for legally enforceable undertakings from the proponents, with severe sanctions if those undertakings aren't honoured. In the end, mergers should be permitted to proceed where the Minister of Finance is satisfied that markets will remain competitive, that there are no material safety and soundness concerns, and that the transaction is in the public interest. But we should be very clear: In case of a conflict, the public interest trumps the private interest.

Our second broad theme is the empowerment of consumers. The Task Force believes that informed consumers, operating in a fair and responsible marketplace, can be a powerful force. Consumers should understand what is being offered to them, they should be able to comparison shop, and make more informed purchases. To that end, we recommend steps to improve the clarity of marketing and sales documents. In addition, we propose that governments require disclosure of all transaction-related fees and commissions.

The changes that are shaping the financial services sector are blurring the traditional distinctions between institutions. These changes offer consumers more choice, and that's good. But they also raise concerns that powerful institutions selling many products can take unfair advantage of consumers by tying products together in a way that isn't in their interest. Or, by abusing personal information. In fact, the Task Force was surprised to learn through our research that 16 per cent of those surveyed said they had experienced pressured selling.

Our recommendations provide for the benefits of choice and prevent potential abuse. We believe that all consumers should be free from coercion when buying financial services. And we recommend that all governments make such coercion illegal. We recommend a tough ban on coercive tied selling—a tougher ban than exists now, and one that applies to all financial institutions.

Similarly, we propose that the privacy of sensitive personal information, including medical information, should be protected by law. Because we don't believe voluntary codes provide adequate protection for the world ahead, we recommend legally binding codes of conduct with civil remedies for breaches of privacy. We say the federal government should establish a financial sector ombudsman to resolve customer grievances with all federal financial institutions and their subsidiaries. And we urge provincial governments to have their financial institutions opt in.

In our third major theme we seek to strengthen the relationship between our institutions and the communities they serve. Canadians have high expectations of their banks, credit unions and insurance companies, and the Task Force believes those expectations are fully justified. Our recommendations will make our institutions more responsive and more responsible.

We spent a lot of time on how small businesses, and especially the knowledge-based businesses of the new economy, are financed. Our report urges banks, in particular, to mount initiatives to strengthen relationships with their small business customers. We encourage them to have more meaningful career paths for locally based small business account managers and to offer more innovative financing packages for higher risk borrowers.

Small business financing is critical to job creation. But we found, somewhat to our surprise, that current information for policy makers on this subject is inadequate. We need to know much more about the needs of small businesses for all types of financing; to understand how financing patterns break down by categories of business and region.

We must resolve this information deficiency in Canada. So we have recommended that the government introduce a legislated, comprehensive data collection and analysis programme—covering all major suppliers of small business financing; not just banks. We urge government to create a dedicated small business analysis unit to report annually to Parliament on the state of small business finance in Canada.

Canadians also expect their financial institutions to provide a basic level of service to individuals and to communities. We urge deposit-takers to work with governments and community groups to ensure that all Canadians have access to basic banking services. If real progress is not made soon, we recommend that government legislate. We also recommend that banks and trust companies give communities at least four months' notice before they close a branch, and that they work with communities to find creative alternatives to minimise the resulting disruption.

We explored a number of ways in which institutions can contribute to—and enrich—our communities. We make recommendations for innovative partnerships in support of the voluntary sector, and in specific areas such as the provision of micro-credit.

We think that better mechanisms are required by which financial institutions may demonstrate their contributions to the communities they serve and find ways to enhance that contribution. So we recommend that federally regulated banks, trust companies and life insurance companies be required to provide public, annual Community Accountability Statements. Those statements will focus our institutions on how they relate to the communities they serve and ensure a continuing structured dialogue that can strengthen the bonds between financial institutions and Canadians. To give them sharper focus, the statements would be filed with the Minister of Finance, who would table them with the House of Commons Finance Committee.

The final main theme of our report seeks to improve our regulatory framework. Canada's regulatory structures are strong, and they work well. In fact, some countries emulate the Canadian model. But we have concluded that to manage change, we need further improvements. We recommend that the federal regulator, OSFI, should have its mandate updated and its governance structure improved. We make specific proposals to eliminate overlap and duplication. And we recommend clear rules and new opportunities for foreign firms to lend money to Canadians without setting up operations here.

Now, you all know that wonderful old saying: 'If it ain't broke, don't fix it.' I suggest to you that considering the change era we're in—and the importance of our financial services sector—the saying to guide us should be: 'If it ain't broke, but you can make it better, do it while you can.' The rules that worked well for us for so long are still fine for the world of yesterday. But today we have to plan for tomorrow. We must recognise that the status quo is not only unacceptable, it's dangerous.

Isolationism isn't an option in a world where commerce is global and financial transactions take seconds to complete. Our financial services sector requires a flexible, clear public policy framework establishing logical criteria that address the new realities of our new age. We need to rethink the ground rules now. I say now, because while we don't know exactly how the future will shape up, we know enough about the general trends and directions to be able to plan for tomorrow, to put in place the framework that will ensure our financial services sector will be strong and competitive at home and abroad and more in tune with the needs of customers and Canadians.

The Task Force has done its work. We are convinced that if Canadians work together, we can manage change in a way that benefits all of us. I urge you to use our report as the basis for discussion, debate and action.

We need to keep moving the dialogue—and the process—forward. It's in the best interests of all of us, whether we're consumers of financial services, in the financial services sector itself or its regulators. For that dialogue to be productive, we will also have to set aside romantic notions of the 'good old days.' We'll have to set aside dearly held vested interests.

Special-interest thinking won't do. It just stands in the way of clear thinking. And clear thinking is what we need. Just look at Russia and Japan, where weak banking systems are destabilising economies and jeopardising the savings of their citizens. We want strong institutions in Canada. Not to assist the companies, but for the good of the people they serve and our country. A healthy, profitable, competitive financial services sector will help ensure a strong, healthy, competitive Canada.

Thank you for your attention.

The appreciation of the meeting was expressed by George L. Cooke, President and CEO, The Dominion of Canada General Insurance Co. and President, The Empire Club of Canada.

Barry Davenport, President, Barry Davenport and Associates, Kevin Benson, President and CEO, Canadian Airlines International, Ann Curran, Third Vice-President, The Empire Club of Canada and Partner, Lewis Companies Inc., and Gareth Seltzer, Vice-President, Private Wealth Management, Guardian Capital Inc. and Immediate Past President, The Empire Club of Canada.

September 23, 1998

Kevin Benson

President and CEO, Canadian Airlines International

CANADIAN AIRLINES AND ONEWORLD

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Catherine Steele, Vice-President (Toronto) and Partner, Gervais Gagnon Covington & Associates and a Director, The Empire Club of Canada; Reverend Kim Beard, Rector, Christ Church Brampton and a Director, The Empire Club of Canada; Elaine Chan, Grade 12 Student; Allan Tremblay, Director, International Markets, Canadian Airlines International; Charles S. Coffey, Executive Vice-President, Business Banking, Royal Bank; Malcolm Freeman, Vice-President and General Manager for Canada, British Airways; John Smith, Senior Manager, Global Private Banking, Royal Bank of Canada and President, British Canadian Chamber of Trade and Commerce; and Gareth Seltzer, Vice-President, Private Wealth Management, Guardian Capital Inc. and Immediate Past President, The Empire Club of Canada.

Introduction by George L. Cooke

Our guest speaker today is Mr. Kevin Benson, the President and Chief Executive Officer of Canadian Airlines International Ltd; a position to which he was appointed in 1996 after eight months serving in the role of Senior Vice-President and Chief Financial Officer.

In yesterday's news, the caption "one world" appeared. Many readers, I'm sure, initially thought "but we have only one world"—and we in fact do! But as we listened or read on, we learned that "one world" is an alliance of five airline carriers intended to offer more service while improving cost control. The announcement appears to have been met with accolades and scepticism, depending on the source. I am certain that Mr. Benson is not a sceptic, and will leave today's lunch with all of us firmly in his camp.

Mr. Benson was born in South Africa and immigrated to Canada in 1977. He is a chartered accountant and has an extensive financial and operating background. Prior to joining Canadian Airlines Mr. Benson was Chief Executive Officer of Trizec Corporation. He is also a member of the Boards of Directors of Manulife Financial and The Jim Pattison Group, Inc.

He and his wife, Ann, live in Calgary.

A long-time fan of anything involving speed, Mr. Benson has interests in Indycar and TransAm motor racing teams, is a keen skier and held a private pilot's license for many years.

He also holds at least one other very important distinction—that of being the only speaker to our Club last year who has agreed to an immediate return engagement. Mr. Benson, its just like the Airlines—customer retention matters! Welcome!

Kevin Benson

Good afternoon and thank you for joining me. It is 11 months since I stood here in front of the Empire Club. I take it as a good sign that you asked me back. I am certainly glad to be here as the alternative is not good.

The past year has been a busy one as we chased the goals I described to you in October of last year. During that time we also had to fight the effects of a chill caused by the Asian flu, but I feel we made good progress.

Now we are nearing the half-way mark of our four-year plan and today I would like to outline our progress to date, talk about the exciting news announced on Monday and discuss plans for our next year of the plan. I hope you will leave with some of the excitement we feel as we move from the always painful cost-cutting phase of our plan to the more aggressive growth mode.

In 1996 we were faced with a number of challenges. It was essential that we sorted out our operational difficulties and developed a network that was sustainable in the long term. We also had to restore credibility and show that this was not another short-term plan to buy time, but one that fixed the fundamentals.

Step one was to find the solution that would restore the network while at the same time ending our history of financially and emotionally crippling losses. We developed confidence from our relationship with American Airlines from both the traffic we delivered to each other's system as well as from our ability to offer American Airlines a north-west gateway to Asia. We also recognised the strength of the alliance network that we had developed over the years—a network that included British Airways, Qantas and Japan Airlines, some of the world's most respected and successful airlines.

But we first had to improve the bottom line by $180–200 million. Planning models showed that the network changes would improve earnings over time, but in the first year, most of the improvement would have to come from cost reductions.

We laid out a four-year plan that required support from employees, governments and AMR Corporation. With that support, we achieved the objective of break-even in 1997 despite substantial weakening of the top markets of Japan and Hong Kong.

So our key focus in 1998 and 1999 is revenue growth, a big challenge when so few resources have been focused on marketing in the past years. It was here that the changes to the network were key. In 1997 we overhauled the network with a number of underlying objectives:

- Every route had to be profitable or contributory to the network as a whole;

- We had to end our reliance on the Japan and Hong Kong markets;
- We had to look for opportunities to strengthen our Vancouver and Toronto hubs;
- We wanted to optimise our relationship with American Airlines by focusing on trans-border flying into its hubs;
- We had to do the same with British Airways by concentrating European flying into Heathrow while cancelling losing routes to France and Germany;
- We had to build Vancouver into a primary gateway to Asia for American Airlines.

Our strategy was to win a bigger share of the U.S. market, using our ties with American as well as with Japan Airlines and Qantas.

We had a valuable opportunity because while we carry about 33 per cent of Canada/Asia travel, we have less than 1 per cent of the U.S./Asia market, one that is six to eight times that of Canada. Picking up only 20 per cent of American Airlines' potential share would more than double the current passenger numbers and each 1 per cent gained is worth approximately $30 million in revenue.

This objective was facilitated by Vancouver's location on the great circle routes that aircraft fly to Asia. Even flights from Los Angeles and San Francisco to Asia fly north past Vancouver as they head for their destinations. This means that from many cities in the U.S. without direct flights to Asia, travelling over Vancouver can result in savings in travel time of between one and three hours versus other West Coast gateways.

So we redid our network by concentrating on building routes into the key cities of Toronto and Vancouver and also on flowing trans-border traffic through Vancouver to Asia. Our focus was those U.S. cities which had good traffic flows to Asia but no direct or effective service and on cities where Canadian or American Airlines were traditionally strong allowing faster growth on new routes. This meant we had to have additional capacity on routes to New York, Chicago, Miami, Dallas, Raleigh-Durham, and Boston and we are looking at a number of other opportunities in the East for start up in 1999. In the West we have added routes to Los Angeles, San Francisco, Dallas, Chicago, Boston, San Diego, San Jose, Las Vegas, Portland and Seattle. The results show that flow traffic is growing, and we are being recognised as a competitive alternative for U.S. travellers to Asia.

We are adding new routes to Asia to supplement the network. In the next few months we will be starting direct flights to Shanghai with Osaka to follow in the new year.

In addition we worked closely with British Airways to optimise service to Heathrow from all points in Canada. In June we started day liner service to Heathrow from Toronto and a new service to Heathrow from Ottawa, both in co-operation with British Airways.

The U.S. markets are starting to see us as an alternative to Asia and the Vancouver hub is starting to work as hoped. The number of our U.S. passengers connecting through Vancouver is up from 15,000 in 1995 to over 100,000 this year.

As we look at 1998, a number of assumptions have proved sound. Our relationship with British Airways has meant great success on U.K. routes, loads higher than ever and the yield up. The Beijing and Taiwan routes have built up very well (Beijing up 31 per cent January to July 98 and Taipei up 22 per cent even though the overall market was flat). Hong Kong mounted a steady comeback after a very slow 1997, but the yield was thin with heavy discounting by a number of carriers.

But a few things did not work out as planned. The loss of the American Airlines code on trans-border flights until January '99 hurt our loads and yield. (I am happy to tell you that American Airlines and its pilots have done a deal to see dual codes back on all routes by January 1 next year.) The benefit of lower fuel prices was lost to a weaker Canadian dollar as fuel, spare parts, many aircraft leases and third-party services are priced in U.S. dollars. The Japan traffic was down 13 per cent from January to July, '98 versus '97, turning what was the most profitable route into break-even for '98.

However, the airline now is much more resilient and is able to weather setbacks. We draw confidence from the fact that changes made as part of our four-year plan are effective and delivering results. Some ongoing tweaking is required as conditions change, but the path we are on is fundamentally sound. We will end year two pretty close to where we wanted to be. We know that our focus must be the cautious growth of the network to win back our fair share of high-yield traffic by improving the age and quality of our fleet and combining this with superior service.

We appreciate the help given to us by a competitor. Some of you may not be aware that one of our national carriers recently faced a work stoppage. It was a challenge for us to fill the vacuum left with a loss of over 50-per-cent domestic capacity on one of the busiest weekends of the year. It was a challenge employees took on with enthusiasm. They volunteered to work through the holidays, and the absentee rate fell lower than usual and more than 300 extra flights were completed in two weeks of stoppage (There was not one sick call on the holiday Monday). I actually believe Air Canada should send us a cheque for getting their pilots to see reason quicker than the negotiating committee.

The reality is that short-term work stoppages like these are not really a financial windfall as revenue gains made were more than offset by the following "come to mother" sale mounted by the carrier—one that of course we matched with a sale that will win your heart. We hope that our customers remember the different level of service and return as long-term supporters and we are ready to pick up slack again when the flight attendants go out.

In the interim we are moving ahead with a number of other developments—and one is of particular importance. Providing a comprehensive network is complicated by the fact that Canada is a big country with a relatively small population base. Yet the business traveller expects regular service to all parts of the world. Alliances are the only realistic way to meet that requirement at competitive cost which is why Monday's announcement of oneworld, is so important to us.

This is a full interactive relationship of five carriers—some airlines that we have worked with for many years, like, American Airlines, British Airways, Qantas but also a new name to our group, Cathay Pacific. This is not a specific route, code-sharing arrangement, but a relationship that makes travel for all our customers seamless around the world. Oneworld will offer customers access to the networks of all five airlines. It is much more than a frequent flyer or lounge-access programme. It is also more than another airline recognising our premium customers. It is about five airlines seeing premium customers of all five as their own—offering interactive technology and real-time access to each others' systems to book, track or facilitate travel arrangements anywhere on any one of the five. It has taken a few years to develop software to the point this can occur and will take a few more months to train employees but by the spring of next year, it will be fully operational around the world.

We have seen benefits of our relationship with American Airlines and British Airways and know that as the smallest of the five, we stand to gain the most from oneworld. Despite the fact that our relationship with American Airlines is only three years old and that with British Airways is less than two, operations are deeply linked. Now we code-share 9100 flights a week with American Airlines and 650 with British Airways. Annually we put 600,000 passengers on American Airlines' planes and they put over 750,000 on ours. We also put 44,000 per year onto British Airways and they put 72,000 onto us. We see this growing still more with the addition of Cathay Pacific and the growth of our relationship with Qantas from a single route of Vancouver to Sydney to every route either of us fly. A number of carriers have expressed interest in joining oneworld and we expect to see membership grow in the next year.

We are working on a number of other relationships too. We are close to completion of a plan with Japan Airlines that will see shared codes on all routes to Japan. Open skies between U.S.A. and Japan will also allow American Airlines' code to go onto all Canada/Japan flights giving three strong points of sale. And we are not finished. We are working on a couple of other North American relationships to add to our customer's options.

To meet the need for this extra capacity and to develop our domestic network, we have started to grow our fleet again. In the past 16 months we have added 12 F28s, 55-seat business jets used to open and grow new routes. The next step is to add bigger jets. We must review our fleet plan with the objective of reducing the number of types operated from five to four. We see A320s and B767s as part of a long-term fleet plan and so we are focusing on these for now. We are also looking for five to seven-year-old aircraft freed up from the slow down in Asia, as often there is an opportunity to do good deals for Canadian.

At the same time we are fine-tuning operations in Vancouver to improve options and connections for travellers across Canada. We will be adding a second international hub there and significantly improving transborder and domestic flights throughout the day. We will give more options to anyone travelling between North America and points we serve in Asia. This will allow us to continue to build transcontinental service and connections into Toronto and Ottawa.

We then turned our attention to our onboard product. We responded to customers' comments by changing our business class seats on all A320s to state-of-the-art "millennium" seats. After months of research and testing we will be introducing a new food service to all flights of three hours or more in December. We are going to try to see what can be done in the air when the best chefs in the country get together. We will also be adding computer power to all seats in every aircraft in the fleet and offering alternative food service when work takes priority on the trip. Behind the scenes, we've increased training, improved support equipment and are developing new customer recognition software—all focused on understanding and then exceeding customer expectations.

We know that there is always concern re the airline's ability to stay the course—to have sufficient cash reserves to cover the peaks and valleys in what is a very cyclical industry. In June we completed US$175-million secured financing and six weeks ago completed unsecured financing for another US$100 million. We will close the year with cash on hand in excess of $400 million. We had hoped to do an equity issue some time this year, but at present prices and in this market, this is unlikely. We are also comfortable that liquidity now is more than adequate.

So by the end of 1998 we can be confident that we can maintain progress in the year to come, but know the need to be cautious and wary of some challenges. We can see signs that North American economies are feeling the effects of the Japan and Russian economic collapses and believe that in the next year this impact will also be felt to a much greater extent than to date.

We will plan growth carefully and draw comfort from the fact that Canadian has one of the lowest operating costs of any airline in North America. We know we have got a way to go but we also know that when we look back, we have come a long way from the dark days of 1996. To our faithful customers in the audience, thank you for your confidence and support. To those who have not tried us, why not spoil yourself on your next trip?

Thank you.

The appreciation of the meeting was expressed by John Smith, Senior Manager, Global Private Banking, Royal Bank of Canada and President, British Canadian Chamber of Trade and Commerce.

The Rt. Hon. Joe Clark, Candidate for Leadership of The Progressive Conservative Party of Canada and George L. Cooke, President, The Empire Club of Canada and President and CEO, The Dominion of Canada General Insurance Company.

September 24, 1998

The Rt. Hon. Joe Clark

Candidate for Leadership of The Progressive Conservative Party of Canada

NEW GOALS FOR CANADA

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

William D. Laidlaw, Director, Government Relations, Glaxo Wellcome Inc. and a Director, The Empire Club of Canada; Reverend Grant Kerr, Minister, St. Paul's United Church, Brampton; James Bunton, Student, Lawrence Park Collegiate Institute; Libby Burnham, Counsel, Borden & Elliot and a Past President, The Canadian Club of Toronto; Irving Gerstein, President, Glen Oak Capital; David H. Tsubouchi, Minister of Consumer and Commercial Relations for the Government of Ontario; Catherine Clark, Student, University of Toronto and Daughter of The Rt. Hon. Joe Clark; Maureen McTeer, Author, Lawyer and Wife of The Rt. Hon. Joe Clark; Walied Soliman, Student, Osgoode Hall, University of Toronto and President, Ontario P.C. Youth Association; Effie J. Triantafilopoulous, Partner, Miller Thomson; and Gareth Seltzer, Vice-President, Private Wealth Management, Guardian Capital Inc. and Immediate Past President, The Empire Club of Canada.

Introduction by George L. Cooke

We are privileged to have The Right Honourable Joe Clark as our guest today. As you know, he is seeking the leadership of the

Progressive Conservative Party of Canada. Over lunch, I asked him why, not because this isn't a good thing to do, but rather "having been there before" so to speak and with the demands being put on politicians these days, one needs to be either a little off, or a lot committed to Canada and a particular way of leading the party. In your case, Mr. Clark, you've convinced me it's the latter.

In terms of having "been there, done that" Mr. Clark has spent more than 20 years as a Member of Parliament having been first elected from his home province of Alberta in 1972. During his 20 years in the House of Commons and clearly recognised as an international statesman, he served in the most senior positions in the Parliament of Canada, including Prime Minister of Canada, Leader of the Progressive Conservative Party of Canada, Leader of Her Majesty's Loyal Opposition, Secretary of State for External Affairs, President of the Privy Council and Minister Responsible for Constitutional Affairs, and Acting Minister of Justice and of Defence.

Mr. Clark participated in eight G-7 Economic Summits; participated as Minister in meetings of the United Nations, NATO, the OECD, the CSCE and the ASEAN Post-Ministerial Conferences; and chaired the Canadian Cabinet Committee which began negotiation of the Canada-U.S.A. Free Trade Agreement.

Since retiring from active public service in government in 1993, Mr. Clark has been a visiting scholar in the Department of Canadian Studies at the University of California at Berkeley; served as a Special Representative of the Secretary-General of the United Nations in Cyprus and served as an active member of the Council of Freely Elected Heads of Government.

Mr. Clark, welcome to our luncheon.

Joe Clark

I am a Canadian optimist—which is to say a Canadian realist. If any country in the world has reasons to be optimistic, we are that country. Our material wealth, our human skills, our social standards, even our geographic location are the envy of the world. But we face an unusual challenge—a challenge of the lucky and the rich: the challenge to take advantage of our great good fortune and not to take it for granted. We need to celebrate and nurture the strengths of Canada and use them as a source of growth and pride and purpose.

I want to speak today of both goals and growth. They seem to me inseparable. We cannot achieve our goals as a community without an economy that is both strong and innovative. Yet wealth alone is not enough to sustain a community, particularly a complex national community like ours, that has always been drawn together and kept together by acts of will and purpose.

Strong communities have an idea of what they are, a sense of what sets them apart. That is also true of strong national communities. The United States of America, France, Japan, the United Kingdom, Israel and other nations have a clear sense of identity that helps them act together. That is harder in Canada for various reasons, including that many of our defining qualities, such as the fundamental respect for others that has made us such a model for the world, are not assertive qualities. I've always thought that this country would drive John Philip Sousa crazy. We have a proud military tradition, but our armies have always been launched to stop aggressions in Europe and Asia and the Gulf, and to keep peace. Imagine poor Sousa writing marches for peacekeepers.

A sense of national identity can be overdone. Consider the list of countries I have just named. But there is no doubt that our country would be better served by a stronger sense of common identity, and one that reflected our sense of accomplishment as well as our sense of responsibility.

One acknowledged characteristic of the Canadian community is that we care about our neighbours and share our good fortune. That has been expressed historically in the Credit Union and Co-operative and Caisse Populaires movements, and in national programmes, like equalisation and health care, which most Canadians regard as primary attributes of the country. That instinct also expresses itself in our active voluntary sector and the intense involvement of Canadians in the lives of their local communities.

But there is more than compassion here. This is also a society of accomplishment. The Canadian story is full of individuals who started with nothing but an ambition or an idea and went on to change their world.

Just consider a partial list. Dr. John Polyani, the Nobel Prize winner in Physics; Laurent Beaudoin, who build Bombardier into the fourth-largest aerospace manufacturer in the world; Sara McLaughlin; Atom Egoyan; Robertson Davies; Louise Frechette, the first Deputy Secretary General of the United Nations Organization; Celine Dion; Mary Pratt; Elvis Stojko; Ron Southern, who built a worldwide industry from a back-yard garage; Margaret Atwood; George Cohon; our Olympic athletes; Antonine Maillet; Ron Debro of Algorithmics, who created world-leading financial risk management software. And the list goes on.

Much of that accomplishment is in the nature of those individuals but do not underestimate either the incalculable advantage of living in a genuinely free society, or the importance of an environment which encourages achievement.

All Canadians should be concerned about the slipping grip of our country on the imagination of our young people. It is evident in the brain drain to other countries. It is evident in voter turnout, where about half of first-time voters in the last federal election simply did not vote. Yet this is a country which should command the imagination and the creativity of the young in particular. That will obviously require initiative on jobs and training and other hard issues. But it also means that we must work harder to identify our country in our own minds as a society of achievement with an active sense of goals and accomplishments.

None of that can be done without a strong economy. So it is particularly important that we look at the long-term strength of the Canadian economy. Let me preface my next remarks with my view that, more than any national government in the last 40 years, the Chretien administration is characterised by a desire to duck hard issues. We saw that on free trade when they were in Opposition and on the GST. We see it in his refusal to even meet the provinces to discuss their unanimous proposal (including Premier Bouchard) for a social union. It was striking in the Prime Minister's Alfred E. Neuman response to the dollar. It is evident in the approach to the deficit, where so many of the costs were simply downloaded to the provinces. There's a memory I can't get out of my mind: in 1991, during the Gulf War, when Mr. Chretien's position was that he would send Canadian troops to the Gulf until the fighting started and then bring them back home. That's no way to run a government, yet it is the way this government is run.

That should cause us to examine very closely Paul Martin's assertion that the "fundamentals" of the Canadian economy are strong.

We are halfway through the fiscal year 1998–99. In his last budget, Paul Martin forecast a balanced budget after allowing $3 billion for a contingency fund. At the time, most commentators opined that would turn into a surplus, perhaps as high as $10 billion.

Then came the Asian financial crisis. The Canadian dollar plunged. The stock market went down. Interest rates went up. The economy slowed down. Mr. Martin's "prudent" forecast, i.e. lower than most private-sector forecasts, was for 3-per-cent real economic growth this year, and 2.5 per cent in 1999. Both of those forecasts are being substantially scaled down as we speak. There will be a balanced budget this year, by all accounts a surplus. But the budget looks like a tighter fit now than it did a very few months ago.

Rather more detailed scrutiny is required of the speech delivered a week ago Sunday by Prime Minister Chretien to the Canadian Chamber of Commerce. Mr. Chretien promised to hold the line on spending this year. He also promised to pay down more on the debt this year than was provided for in last February's budget, which means $3 billion plus. Then he turned to the fiscal year beginning next April 1st. Next year, according to the budget documents, the government should break even again. But that forecast was based on real economic growth of 2.5 per cent, which events have now made highly improbable. Even allowing for the deliberate low balling that is Mr. Martin's habit, it looks as if next year's surplus will be lower than many pundits had been forecasting.

This background is important in the context of what Mr. Chretien went on to say in his speech last week, and of what his officials and spin-doctors put out afterwards. So, why is the Prime Minister promising to lower taxes next year, and to increase spending on health care and several other areas? Why are his officials hinting about the possible elimination of the 3-per-cent income tax surtax, possibly some other tax cuts, and about $2 billion more for spending programmes?

These commitments, welcome as they are to many Canadians, desirable as they may be to the country, raise an issue about whether the Prime Minister is telling Canadians the whole truth.

Neither Mr. Chretien nor his officials said a word about the surplus in the Employment Insurance Fund, which will be near $20 billion by the end of 1998 and $25 billion by the end of next year. According to the law, the reserve in the Fund should be kept high enough over the business cycle to allow for any economic downturn. The Chief Actuary of the Fund said last year that "at the upper limit" a reserve of between $10 and $15 billion should meet all costs during a downturn.

There are rumours today that Mr. Martin wants to appropriate that money to pad his books. That is not his money. In effect, he holds it in trust for the contributors. If he takes that money, he breaks that trust, and he may well breach the law. The Minister of Finance is not a law unto himself.

This Fund is wholly funded by employers and workers. The government has a legal and moral obligation to give the added surplus back to them in the form of lower premiums. The Chief Actuary proposed a schedule of reductions. But the government countermanded this with premiums that will produce a surplus more than double what is needed for any reserve. Premiums in excess of insurance needs are a tax on jobs and are simply unacceptable with our unemployment rates.

Premier Harris has good reason to protest, as he has done. Forty per cent of Employment Insurance premiums are collected in the province of Ontario. Moreover, taxing jobs to pad Ottawa's books is wrong, wherever you pay your taxes.

The Employment Insurance Fund is not government money, any more than the money in the Canada Pension Plan is. Indeed the Auditor General of Canada last year underlined "the importance and special nature of the EI Account" and called on the government to submit a distinct report to Parliament on the Fund. "As it stands now," said the Auditor General, "parliamentarians do not have available a single, comprehensive source of financial information on the Account's performance. Therefore, it is difficult to evaluate results."

The government may be tempted to use the surplus for its own purposes, tax reductions or new spending. Its political calculation is that most people don't really know how much they contribute in EI premiums, that most of the benefit from reducing them would go to employers anyway and that increased spending and broadly based tax cuts would be politically more popular. The political calculation may be accurate, but acting on it would be wrong. It would be perhaps illegal, and certainly immoral for the government to use that Fund to finance other spending or to pay for other tax reductions. They have a prior obligation to reduce those premiums—not a “token cut” as leaked to the media, but a substantial cut. If they try to raid the EI Fund they should be stopped.

This is part of a larger issue I want to flag. Integrity in government is nowhere more important than in the management of the public finances. This government is getting a deserved reputation for sharp practices, which fall short of the standards of integrity Canadians have a right to expect.

In 1995–96, they booked almost a billion dollars for harmonising GST and provincial sales taxes even though the provinces concerned did not agree to harmonise until the following year.

In 1996–97 they recorded $800 million for the Canadian Foundation for Innovation which did not even exist at the end of the year.

This year, they booked $2.5 billion for the Millennium Scholarships, which don’t begin until the year 2000.

The Auditor General of Canada has blown the whistle on these practices, without result. “The emerging practice of recording transfer payments before a recipient signs an agreement, or even before Parliament has created a recipient, runs against objective accounting standards and even against the government’s own rules,” he says. He emphasises that this is more than a technical disagreement between an accountant and an auditor. “It puts into question the credibility of the Government of Canada’s reported financial results.”

The Prime Minister and his Finance Minister are fond of saying that the “fundamentals” of the Canadian economy are in good shape. Some of them are, thanks to the policies they opposed so ferociously in Opposition and have followed so meticulously in Government. Some of the fundamentals, however, are in bad shape. There are problems that must be solved if we are to attain stable, long-term growth and prosperity.

The main weakness in our economy today is poor productivity. It is poor by Canada's own past standards and poor by comparison with our international competitors.

Since 1973, productivity growth in Canada has averaged a mere 0.3 per cent per year. At this rate our standard of living will take 231 years to double. Compare this with productivity growth between 1960 and 1973, allowing Canadians' standard of living to double in only 35 years.

We are failing to attract foreign investment into our economy. In 1985 Canada's share of foreign direct investment was 8.9 per cent of the world total. By 1996 our share had declined to 4 per cent. A one-billion-dollar increase in FDI creates some 45,000 new full-time jobs and generates $4.5 billion in GDP in a five-year period.

We must begin with a commitment to long-term fiscal responsibility. That means a commitment to balanced budgets.

Second, we must commit to a comprehensive programme for debt reduction, with clear and achievable targets. While specific targets would need to be worked out with great care, it would be reasonable to aim for a debt-to-GDP ratio that was equal to the average of the economic summit nations, set over a period of, say, five years. Such a commitment would lessen Canada's exposure to international events and address directly any concerns about Canada's future fiscal course.

Third, within the context of balanced budgets and a debt reduction schedule, Canada must embark decisively and irrevocably on a policy of lightening the tax burden on our people. That burden is heavy. In 1973, tax revenues at all levels of government took 36 per cent of our Gross National Product. It is now more than 44 per cent. Meanwhile real incomes in Canada have been stagnant or in decline. All this increased taxation has not been directed to new or better programmes and services. Instead, Canadians have had to accept reduction or elimination of programmes, and/or are paying user fees and the like to finance them. We are paying more to government and getting less for it, and we are certainly paying for past excesses, as witness the annual interest payments in the $45-billion range.

Taxation that is dramatically out of line with levels in the United States is a drag on investment and growth. Sales taxes are heavier here, and so is income tax on middle and higher earners. Families earning $30,000 a year are paying a marginal tax rate of 40 per cent. In nine of the 10 provinces, the top marginal rate last year was more than 50 per cent, and it starts at an income of $60,000. In the United States, the top rate, federal and state combined, is in the mid- to upper-40-per-cent range. You would hit such a rate only when your income reached US$271,000 (C$410,000 this week!).

I propose that my party also commit itself to targets for national productivity improvement in the context of a growing economy. The tax system can and should be used to bring about increased investment in new technologies and in research and development. It can be used more creatively to encourage Canadians to invest in Canada. The rates of domestic investment, and of savings, have fallen well below that of other industrial economies.

We will continue to fall short of our economic potential as long as the Canadian economic union remains divided and fragmented. Overcoming those divisions and reinforcing that economic union must be high on our list of priorities now and in the decade just ahead.

I understand the frustration and impatience of those who believe that this problem could be solved if Ottawa would just exercise its constitutional power and bring down the hammer on the provinces. However, I have to say that the federal hammer would be a hollow instrument if it just created more legal and political chaos. It is a foolish federal government that tries to act in a vacuum. When we began the negotiations for the Free Trade

Agreement we knew that we could use our power for international trade negotiations only if we worked with the provinces who controlled so many of the means to give effect to any agreement. Canada's economic future depended on a trade treaty. The practical reality was that the provinces couldn't start a negotiation without us, and we couldn't conclude a negotiation without them.

So it is with interprovincial trade barriers. We will have to knock them down together, Ottawa and the provinces.

Fortunately, there is at hand an opportunity to do so. The 10 provincial premiers, meeting in Saskatoon last month, proposed a federal-provincial pact on the Canadian social union. Among other things, they call for an impartial dispute settlement mechanism to resolve conflicts between Ottawa and the provinces on the administration of social programmes. In my opinion the federal government should respond positively to this initiative. But Ottawa should propose a wider agreement. The federal government should call for a pact on the economic, as well as the social, union. Ottawa should accept the principle of a binding dispute settlement mechanism for the social union, on condition the provinces apply that same principle to interprovincial trade. It is well known that one of the major weaknesses of the Agreement on Internal Trade negotiated several years ago is an unworkable dispute resolution process.

Some people, in politics, journalism and academe, are still hung up on the metaphysics of federalism. I propose we focus on the economic and social interdependence of all parts of the federation, and start from there.

In social as well as economic matters today's realities do not fit neatly into watertight jurisdictional categories. The Constitution must be respected, but if the Canadian economic and social union is to be managed successfully, it must be managed jointly. The key to this partnership must be a co-operative mechanism such as a "First Ministers' Council" whose decision-making rules will have to be agreed in advance, and unanimously. The federal government and the provinces, each responsible to its elected legislature, must address these issues together. I propose that Ottawa and the provinces work on a pact that would govern the economic and social union for a period of five or six years. Then there would be an opportunity for review, for necessary changes, for renewal and, if the pact has worked successfully, to give it the force and permanency of a constitutional agreement. I believe that such an approach may in time also help us find the way out of the present constitutional stalemate between Quebec and the rest of Canada.

Over the past few weeks, I have been discussing with Progressive Conservatives the agenda we should place before the Canadian people in the 30 months between now and the calling of a general election.

First, the revival of parliamentary democracy and responsible government. In particular, the accountability of the government to the House of Commons must be restored, beginning with parliamentary control over public spending.

Second, a commitment to long-term fiscal stability, reduced taxation, and to targets for productivity improvement as the source of jobs and a return to a rising standard of living.

Third, reinforcement of the Canadian economic union; and renegotiation of the Canadian social union to secure the planning, financing and delivery of major programmes such as health care and post-secondary education in the 21st century.

Fourth, a national programme committing governments and industry to make Canada a world leader, not just in cleaning up environmental problems but in preventing them.

Fifth, a commitment to promote cultural excellence through new federal policies based on incentives and opportunities and renewed support for national cultural institutions.

This agenda will require a common commitment, a collective effort on the part of Canadians as we move towards a new century. It will require that a vision of Canada's future and a sense of mission replace the inertia and complacency now so prevalent in Ottawa. The party I would lead, the Progressive Conservative Party, would be imbued with that vision and that sense of mission. I am inviting Canadians to join with us in this vision and in its realisation in the Canada of the 21st century.

A few hours ago President Nelson Mandela of South Africa addressed a joint sitting of the Senate and House of Commons in Ottawa. His presence among us is a tribute to Canada's leadership in the international fight against apartheid. We came up against some hostility, much foot-dragging and great indifference among some of our traditional friends and allies. We pressed the sanctions issue relentlessly in the Commonwealth. And we moved it to another forum, the annual G-7 summit meetings. Ultimately, apartheid was ended. Score a win for equality and human dignity over the forces of segregation and racism. It was a long fight. In its history there is a place of honour for Canada and Canadians.

There have been other reminders in the news lately of old debates on policies whose merits we can now judge in light of experience. This month marks the tenth anniversary of the conclusion of the Canada-U.S. Free Trade Agreement. Afterwards, we created NAFTA with the U.S. and Mexico and in the meantime conducted the multilateral negotiations under the Uruguay Round. These trade agreements formed one part, an important one, of an agenda of radical change implemented during those years. Tax reform. The GST. Deregulation. Privatisation. To read a list of those policies, and to include a mention of the social and constitutional issues we tried to address is to evoke memories of turbulent times in Canada's political history. No politician enjoys turbulence. But to avoid the turbulence, we would have had to avoid the issues, and those issues had been avoided for too long.

Hard issues are being avoided again today. The debt needs to be worked down. The books should stop being cooked. Our tax system must become competitive. We need to improve our productivity and investment performance. We need to generate a sense of Canada as a country of accomplishment and will. That is what has brought me back to public life, and I hope that many of you will join with me.

The appreciation of the meeting was expressed by William D. Laidlaw, Director, Government Relations, Glaxo Wellcome Inc. and a Director, The Empire Club of Canada.

Thomas A. Buell, Past President, Weldwood of Canada and Consultant, Weldwood of Canada, Robert P. Kelly, Vice Chairman, Retail Banking, Toronto Dominion Bank and a Director, The Empire Club of Canada, Gordon Campbell, Leader of the Official Opposition for the Province of British Columbia, George L. Cooke, President, The Empire Club of Canada and President and CEO, The Dominion of Canada General Insurance Company and The Rt. Hon. John N. Turner, Partner, Miller Thomson.

(Gordon Campbell's's speech starts on page 150.)

October 1, 1998

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

Michael R. Bloomberg

Founder, Bloomberg L.P.

TECHNOLOGY IN THE NEXT CENTURY

Chairman: **Mary Anne Chambers**
President, The Canadian Club of Toronto

Head Table Guests

George L. Cooke, President and CEO, The Dominion of Canada General Insurance Co. and President, The Empire Club of Canada; Patrick Ross, CEO, GPC Canada; John A. Honderich, Publisher, The Toronto Star; Nalini Stewart, O.Ont., Immediate Past President, The Canadian Club of Toronto; Kevin Doyle, Canadian Bureau Chief, Bloomberg News; Darwin Kealey, President, GPC Communications; Rabbi Baruch Frydman-Kohl, Senior Rabbi, Beth Tzedec Congregation; Sara MacDonald, OAC Student, Malvern Collegiate Institute; Donald A. Wright, Chairman and CEO, TD Securities Incorporated; and H. Garfield Emerson, Q.C., President and CEO, NM Rothschild Canada Ltd., Chairman, Rogers Communications Incorporated and a Director, The Canadian Club of Toronto.

Introduction by Mary Anne Chambers

Michael Bloomberg

Mary Anne thank you.

The invitation you received said that I was going to talk about Technology in the Next Century but if you read some of the stories about the year 2000 problem we don't have to worry about technology in the next century. We are never going to get there. I might point out that most of the people who say we are going to have a big problem tend to be consultants who will be very happy to fix your problem if you will just pay them. It may give you some cause to think that maybe it's not going to be everything it is cracked up to be. But regardless we will get through the year 2000 problem. We will get through the euro currency. We will get through the current chaos in the stockmarkets around the world and I think technology is probably going to be pretty good for all for us down the road.

I want to talk about technology and talk about how companies come and go. If you look back to 1981 when we started our company and you look at the Fortune 500 companies then and compare them to the Fortune 500 companies today there are only 160 companies that have survived. Two decades have not yet passed and more than 50 per cent have gone. They have become totally different companies, they have gone out of business, they have become much smaller or they have merged. The fact of the matter is the world is changing very rapidly and technology is exacerbating that change. For some of us it's great and for some of us it's not so good and the question each of us has to worry about is: "What about ourselves and our families in the future? How are we going to deal with the effect of technology?"

If you take a look at what the pundits said would happen today, 20 years ago, they were very very wrong in terms of form but probably pretty right in terms of substance. The pundits predicted that you would have a computer in every room of your house. It sounded like a very farfetched thing but these people are paid to predict the future and they always seem to predict it with such certainty. Today if you get up and look around your house unless yours is very different from my house you don't have a keyboard and screen next to the bed and you don't have one in the bathroom and there's probably not one on the sideboard in the dining room or in the kitchen or the living room. So where are these computers that were supposed to be everywhere? If you look very carefully the pundits were right. There is a computer in every room in your house. The clock radio has one, the telephone has one, the dishwasher has one, the washer/dryer has one and the elevator has one. Your automobile has so many computers that in the year 2001 General Motors will ship more computer power from its automotive division than IBM will ship. Just think about that. You don't think of a computer as an automobile or an automobile as a computer but in fact they have become one and the same. There are so many computers in automobiles these days that that's what people steal when they take the car and rip it apart. That's what they want. And we are going to see more and more of this.

What we are seeing is a change from old-fashioned computers to new-fashioned computers and we are finally getting to the point where technology really is helping us. Everybody said that certain things would come along that would create haves and have-nots and once again the pundits were right in substance but not in form.

For example, only 50 years ago, there were a lot of people that argued there was a new technology, a communications medium, that we should ban because it was going to help the haves get culture and education and training and the have-nots wouldn't be able to afford it so we would have a bigger gap between rich and poor. That technology was television and they were dead right that television had an enormous impact on our people but not in the way they thought. The fact of the matter is that those down the economic ladder tend to watch a lot more television than those at the top end of the ladder and those at the bottom end of the ladder tend not to use it to get culture and get training.

So technology comes but never in the form that you think. Take a look in your office and there is a computer on every single desk. You say: "Ah, it's management that's really adopted technology in the world," but that's not true. If you go and take a look on the production floor that's where technology has really taken over. No company has a production line without lots of computers. Take a look at the people building roads and look at the equipment they are using and how efficient they are in building roads. We've taken technology down to the level at which people need it. Construction workers today have exactly the same educational background that construction workers had 40 and 50 years ago. But today they can use technology that lets them build better roads, more economic roads, because we have made something useful.

The same thing is true with your carpenter. The carpenter walks around with a laser level and a pneumatic gun that shoots nails into the wall and a walky-talky so he or she can communicate. We are really using technology for those people who work with their hands.

Let's get back to the office. We said there is a computer on every single desk but it is very hard for an economist to find improvement in productivity in the office. Sales of paper to offices per capita have gone up every year since we started buying computers. Nobody predicted that. We were supposed to have paperless offices. We have gone in exactly the reverse direction. Do computers let people make better decisions? There is no evidence whatsoever that management is making better decisions.

More and more we have an ability to communicate but when you have good communication it makes society much more open and clearly makes society much more egalitarian. If you take a look at the Internet, for the first time in history anybody in the world can get on the net at negligible cost with no government control and get his or her ideas out to lots of people around the world. We have never been able to do that before. This open egalitarian world is also much more competitive than ever before and competitive worlds are good for 50 per cent of people by definition. Those above average should do better. Those below average have a big problem. If you believe in meritocracy that's okay. Make sure you and your kids are in the top half of the class.

What do you need to know to do that? Well the one thing you don't need to know is technology. Think about an automobile. When automobiles first became mass market products that people could afford you had to be an automotive engineer to own one. Cars broke down every 10 miles. You opened the hood, you took out a wrench and a screwdriver and you could actually fix them. I don't know if anybody has looked under the hood of a car in a long time but there's nothing to see folks and it's all sealed up and you can't do anything with a screwdriver and a wrench. On the other hand computers have made automobiles and other factors so reliable. When was the last time your car broke down? The fact of the matter is automobiles have a phenomenal record of not breaking down and so you don't need to be an automotive engineer.

Well the same thing is happening with computers. Computers are starting to be smarter. The complexity inside a computer is growing by orders of magnitude and that internal complexity is giving us an external simplicity so we can use a computer the same way you use an automobile. Where do I want to go? With a computer, what do I want to do? With the automobile I don't have to worry about how it happens and with the computer you're more and more not having to worry about how it happens. All you need to know is you hit a button and you get an answer. You turn the key and the car starts. The next generation of computers will make things terribly reliable, make things terribly useful.

If you take a look at the history of companies, they fail because of all this change in technology. There is a great book out called "The Innovator's Dilemma" which I read a few months ago. It talked about why the mainframe manufacturers never got into the mini-computer business and why the mini-computer manufacturers never got into the PC business? And is it true that the PC manufacturers are being left out of the next generation? I would argue that the successor to the mainframe was the mini. The successor to the mini was the PC but this is the successor to the PC. This is a little organiser and there are lots of these things. The fact of the matter is that Bill Gates and Intel are not going to own the world and it isn't the U.S. Justice Department that's going to stop them. It's that no company in history has ever been able to really make the transition to the next kind of product.

The book that I was talking about tries to address the issue and figure out why. The author's thesis is the following: Companies are very good at defending their turf and enhancing their basic product. What they do is they marshal all their resources to improve their product and constantly market it better, service it better, sell it better, make it cheaper and anybody who comes along is hopelessly behind and is never going to knock them off. And there is a lot of evidence. Nobody ever made better mainframes than IBM for example. Even to this day IBM still makes the world's greatest mainframes. But the mistake that IBM and companies that made mainframes all made was that they asked their customers what they wanted. I know classic business theory says that you always listen to your customers. But like most classic things I would argue right on substance, wrong on form. Mainframe customers were asked whether they wanted better, bigger mainframes or whether they wanted this new mini-computer that somebody just invented that's smaller, cheaper, but doesn't work very well. Every mainframe customer told the mainframe manufacturers they would never want a cheaper inferior product? They wanted more bigger mainframes. So the mini-computer manufacturers went out and sold their mini-computers to a different market. It was a different product and they sold it to different people and with the revenue they kept making it better and better. One day the mainframe manufacturers called up their customers and said: "Hey you said you wanted more bigger better mainframes. We have got the next version." And the customers said: "I don't know how to tell you this. I'm sorry but we just bought mini-computers." And the mainframe manufacturers said: "Why didn't you tell us you didn't want them?" "Well yes, but I didn't know that they were at the beginning of development and it was going to get so much better." So it wasn't that the mainframe manufacturers got beaten; their customers left them for a product that did enough of the same things to be adequate along with a lot of other things the mainframe computers couldn't do.

What happened to the mini-computer manufacturers? And incidentally IBM did eventually make some mini-computers and they did alright. IBM is really the one company in all of this that has been able to jump a little bit. Mini-computer manufacturers listened to their customers. "You want bigger and better minis?" "Absolutely." "Would you ever want a small computer that an individual could use and put on their desk? It's cheap and doesn't work very well, crashes all the time and is very slow?" "No, why would I ever want that?" One day the mini-computer manufacturers woke up and people were buying PCs. And there was really no mini-computer manufacturer, with the exception of IBM, that ever went into the PC business.

The question right now is: "If you're a PC manufacturer is the same thing happening to you?" All of the computers that we carry in our pockets—the telephone, the organiser and your beeper—are getting pushed together with web access. Not one PC manufacturer is making any of these appliances.

And the same trend keeps going on. You get into a business and you can't jump into the next business. Why? Because everything in your company is structured to do one thing and the economics of new businesses are never terribly attractive. It's very hard to plan whether a new product will be accepted and big companies need certainty. It is the only way they can run a big organisation. And the political structure in a big company requires when they do something new that they split up the new product across the divisions in the company whether that makes sense or not. But they've got a marketing division so they've got to give it something to do. They've got a sales division so they've got to give it something to do. They have a production division, an accounting division, whatever the case may be.

Companies that start new businesses don't have all this infrastructure—don't have the corporate jet to pay for, don't have the marketing department. They can structure their organisation and their economics to make sense for the new product. Maybe history is repeating itself here. We are worried about the wrong things. We are worried about Gates owning the world. We are worried about Microsoft bringing everything down. We are worried about the year 2000 with all this old technology when in fact what we should be doing is sitting back and saying: "We are going to transfer our allegiance as customers to whoever comes along with a new product, whether that product is let's say a PC or a TV, and arguably the only real difference between those two are what you call it and who makes it. Whether it is Compaq or Zenith that makes the device. That's the real battle that is being fought. The rest of us are just pawns because under the hood they both have input and output devices, they have power supplies, they have some chips. There isn't any reason why any television can't do the same thing any PC does or any PC can't do the same thing any television does. It's a question of who is going to supply the chips, who is going to supply the software.

If you think for one second that Microsoft wants people selling devices without their software you're crazy. The question is: "Does it add anything and will some people come along without all of the marketing department that let's say Microsoft has and come up with a new product?" And all these new products, every single one of them, do not use Microsoft Explorer, do not use Netscape, do not run Windows. These things go out and do the functions that we need without any of that stuff and they are all small companies without any of the baggage that the big companies have.

If you take a look five years, 10 years from now, you are not going to see the same names. The Justice Department and the politicians are always fighting last year's battle. The trouble with government is that the political process takes time by definition. It is supposed to. The objective of government is to come to a consensus after you give everybody a chance to have their opinions. Well unfortunately technology changes much too rapidly. When the government tries to get involved in technology, whether it's to set standards, regulations or to apply the anti-trust laws, it is always fighting something that is so far behind it probably doesn't make a lot of difference. Maybe it does to the stockholders of Microsoft but it is really hard to argue, the way Microsoft tries to, that all the Justice Department's efforts are going to hold back technology. The battle has really moved, if you look at it, beyond Microsoft, beyond Intel, beyond the PC. It's into these appliances—the telephone and the clock radio that we talked about, all of those things. The things on the shop floor, the way we live our lives. Technology really is making a big difference.

Let me leave you with one other thought. Another way that technology is changing things very rapidly is in how we address the privacy issue, how we address the publicity issue and how we address the political issue.

When you listen to the politicians talk, their problem is we are going from a physical world to a logical world and it's very difficult for politicians to redistribute wealth, meaning tax and spend, or to regulate. And that's the job of politicians. We want our politicians to do that. We may disagree as to whom they should tax and what they should do with the money and what's appropriate regulation but nobody seriously suggests we shouldn't have some ways to force us all to pay our fair share and to obey certain laws. The trouble is in a logical world that's very difficult and the politicians are screaming out there. They don't know how to get their hands around it.

What happens if you put something in a computer in one country? It is stored in a second country and retrieved in a third. Whether it is commerce, or pornography, or anything. Whose laws apply? If I try to go after you and you throw a switch and magically appear somewhere else how do I get you to obey the law? How do I get you to tax? Politics with technology is a very difficult thing we are going to have to deal with. Make no mistake; we have to do something because if we don't have taxes we can't have the fire department, we can't have education, we can't do any of that.

Regarding the privacy issue, make no mistake about it, we are all making a deal with the devil. For the convenience of using modern technology we are giving up our right to privacy. No matter what anyone says. Think about it. You go to dinner and you pay for it with a credit card. There's a record of where you had dinner, probably a record of what you ate. There is no record yet of who was there except if it is a business dinner for tax reasons and you enter that into a computer when you get back to your office. In New York we have what's called Easy Pass. You put this thing on your card and you zip through the toll booths. The trouble is there's a camera that takes your picture. So if I go out to dinner tonight in New York and I drive through one of the toll booths there is now a record of which direction my car went at what time and there's a picture of who's in the car. As you zip through they want to get a picture of your licence plate.

Ever tried to pay for an airline ticket with cash? They'll arrest you. There's something wrong if you try to use cash. There are a lot of good things that come out of technology but the cost of it is diminution of our privacy. And we'll yell and scream about it and then we will go right back to doing things that are most convenient, never thinking about it.

When you write something on a computer it is stored forever. You send an e-mail and there are a number of places where it gets stored. The government wants it; it gets an injunction. Your employer wants it, but doesn't need an injunction because you use company equipment to send the e-mail so it is owned by the company. We just sent out a notice to all our customers reminding them that their bosses have the right to look. We provide a service so that everyone of our customers can have a list of suspect words and phrases and any e-mail coming in and out of their companies goes right through this computer and if a word matches, the computer either flashes up the words "inappropriate word" or just quietly lets it go through and sends a copy to the compliance department.

You have no idea in sexual harassment cases how many times everybody's e-mail is instantly requested. We don't wait for the government to ask. We just send it to them because it is so obvious what's going to happen. People, no matter what they say, forget when they are typing and they write the most inappropriate things and the most embarrassing things in the world as evidenced by some of our politicians in New York and Washington.

And the last thing that's different about technology is promotion. Gutenberg invented the printing press. It was great to print a bible but the fact of the matter is virtually nobody but the very wealthy could read in those days and nobody could afford paper and ink and delivery. And that's even true today. The average person can't go and start a newspaper or a magazine. The kids can put up a sign on a billboard: "Let's go burn down the government," but fundamentally they can't get that out to very many people.

Telephone was never a mass market thing. It is one to one so if I wanted to spread crazy ideas I would have to make 1,000 phone-calls to talk to 1,000 people. That didn't work. And radio and television have never really been mass market in the sense that the average person could use radio and television to get their ideas out. Remember it would cost them an awful lot of money to get a radio or a television licence and the government's got to like you. Fundamentally if you put stuff on the air that the government doesn't like they'll take the licence away from you. They may couch it in other terms but that's what happens.

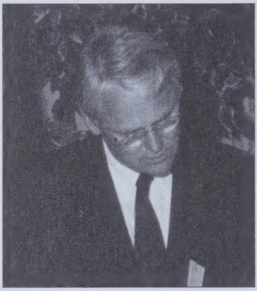
For the first time, technology through the Internet lets any of us at reasonable cost, anywhere in the world, say anything to lots and lots of people. What's even worse is that you can't tell who's saying it. In the past if you read something in the newspaper, there was the masthead so you could judge the accuracy or the likely accuracy of the story based on your recollections that this newspaper always connoted a certain degree of accuracy, taste and reliability. We know which are the gossip sheets, which are the tabloids and which are the serious newspapers. The same thing happens with radio and television as they always announce whom they are. You know the source and so there's some pressure on them to keep their quality up and you have legal recourse if they violate the slander libel laws.

Internet doesn't have any of that stuff. The real problem with the Internet is that I can pretend to be anybody I want, I can say anything I want, I can destroy careers and businesses and reputations and unfortunately there is little anybody can do about it. How we deal with these issues, the privacy issue, the political process, and this promotion issue is something that we will find very difficult with technology going into the next century.

Thank you very much for coming.

The appreciation of the meeting was expressed by George L. Cooke, President and CEO, The Dominion of Canada General Insurance Co. and President, The Empire Club of Canada.

Robert P. Kelly, Vice Chairman, Retail Banking, Toronto Dominion Bank and a Director, The Empire Club of Canada and The Rt. Hon. John Turner, Partner, Miller Thomson.



October 6, 1998

Gordon Campbell

Leader of the Official Opposition for the Province of British Columbia

A NEW FUTURE FOR BRITISH COLUMBIA

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Robert P. Kelly, Vice Chairman, Retail Banking, Toronto Dominion Bank and a Director, The Empire Club of Canada; Rev. Captain Wendy Murphy, Rector, St. Bede and St. Crispen Anglican Churches; Lucy Fernandes, OAC Student, Central Commerce Collegiate Institute; Thomas A. Buell, Past President, Weldwood of Canada and Consultant, Weldwood of Canada; Jane Pepino, Partner, Aird & Berlis; the Rt. Hon. John N. Turner, Partner, Miller Thomson; Diane Francis, Editor, Financial Post; and Sandra Whiting, President, Black and Professional People Association and a Director, The Empire Club of Canada.

Introduction by George L. Cooke

We are privileged to have with us as guest speaker today, Gordon Campbell, Liberal Leader of the Official Opposition in British Columbia. He entered provincial politics in 1993. He was elected to the B.C. Legislature in 1994 and led his party to 33 seats in 1996.

Mr. Campbell attended public school in Vancouver. After graduating, he received a scholarship to Dartmouth College in New Hampshire where he worked his way through university in the dining hall and as the associate to the Secretary of the College—a diverse skill set even at a young age. He later received an MBA from Simon Fraser University.

Described by Diane Francis as having the wholesome good looks of a high school gym teacher and being a Reformer disguised as a Liberal, we note that Gordon was a teacher and basketball coach in Nigeria for Canadian University Services Overseas (CUSO), and he was an assistant to former Vancouver Mayor Art Phillips. He left city hall to start his own business.

He was elected city councillor in 1984, then won three successive terms as mayor of Vancouver. Macleans magazine columnist Peter Newman described Gordon as "a mayor who heads the most progressive and most openly accountable civic administration in the country." Accountability is something all Canadians want but don't get often enough from political leaders. Gordon, welcome to The Empire Club of Canada.

Gordon Campbell

Thank you. It is great to be here and I want to thank the Empire Club for giving me the chance to come and talk to you about my province—the province of British Columbia—and what the future holds for B.C.

Many of you here in this room today, and I am sure many in Ontario, will have some sense of how it feels to be in British Columbia in 1998. You probably remember how it felt to be in Ontario in 1994.

When I was flying here I spoke with people on the plane. I heard from many people that they were coming here, looking to invest in Ontario. They were looking at opportunities in Ontario. They were looking at economic growth in Ontario. They were excited to be part of a growing economy in Ontario again.

Today in British Columbia, things don't feel quite the same way. In fact, Glen Clark makes Bob Rae look like Mike Harris.

We currently have the worst government in provincial history. Now I don't want you to be too upset with the people in British Columbia for that. We still have an excellent work force. We still have excellent resources. We still have an entrepreneurial spirit—a spirit of enterprise that I believe can be tapped into and can turn our provincial economy around again.

We just happen to have a government that has brought together a lethal combination of incompetence and ideology. And it is not something that I say with any joy. What has happened in British Columbia has been really tragic. The human toll in our province has been significant. Community after community is feeling that pain.

Just imagine seven years ago we were the number-one economy in Canada. We were the place where people wanted to go and invest. We were the place for which people said: "Let's go and look at opportunities in British Columbia." Unfortunately, when I was flying in yesterday I saw in The Globe and Mail's Report on Business a new index of provincial performance. Guess where British Columbia was? Last; tenth.

We have a government that is looking for excuses instead of improving things.

You have probably heard people referring to the Asian flu. Just so you all know, British Columbia was suffering from NDP pneumonia before anyone identified the Asian flu. It is something that has been building and building and building.

We were the only province in Canada in 1997 to lose jobs. Just think of that: British Columbia—a province the size of England, France and Germany combined—losing jobs while in Eastern Canada that little province called Prince Edward Island created more jobs than B.C. did in 1997.

And yet we have a finance minister today who has announced to all British Columbians that we are not really in a recession; we are in a sectoral recession.

There is the forest sector that is in a recession, the mining sector that's in a recession, the agriculture sector that's in a recession, the retail sector that's in a recession, the home-building sector that's in a recession, the construction sector that's in a recession.

A sectoral recession. Think of that. Sixteen thousand people have lost work in the forest industry.

The home-building industry is one of the leading indicators of economic activity. Do you know the number of new homes that were started in the capital city of Victoria in August? Three.

Do you know the number of new homes started in the suburb of Langley, a fast-growing suburban community in the greater Vancouver area in August? Zero.

Mortgage defaults are up 141 per cent. Sometimes when we think of the economy we only think big business, big business investment, big labour and big government. But when the economy is in trouble, like it is in British Columbia, it is people who are being hurt. They are losing their life's savings in record numbers and we have a premier in B.C. who says this is only a statistical recession.

For the first time in a decade and half we have watched as more people are leaving the province than are coming to the province.

I was recently visiting the community of Cranbrook. Cranbrook is in the Kootenays in British Columbia. I was walking down the street and meeting with people. A fellow came up to me and said, “Oh, Mr. Campbell, welcome to Cranbrook. It is good to see you here.” I said, “Thank you very much. How's it going?” “Not very well.” I said, “What's the matter?” “Well, my son and I are going to drive to Calgary tomorrow to see if we can find his first job. He wanted to work in the Kootenays. He wanted to work in the community where he grew up but there are no jobs here. So we are driving to Calgary and you know if we don't find a job in Calgary we will drive north to

Edmonton and we will probably find a job for him there." He added, "Last year I had to drive my daughter to Saskatchewan to find her first job."

Now even here in Ontario, you know and I know that God did not intend people to move from British Columbia to Saskatchewan.

That's what Glen Clark has done and the NDP still doesn't get it.

You were all probably paying close attention as Glen announced his economic strategy in the spring of 1998. In preparing for that budget Mr. Clark met with business leaders. The business leaders said to him, "Mr. Clark whatever you do, do not change the Labour Code." So Glen thought that over and he did two things. He created 1500 new campsites and he changed the Labour Code.

Just imagine. The economic answer that our premier came up with was 1500 new campsites.

I think that one of the things that we have to do is we have to make sure that Mr. Clark and his cohorts understand exactly what is happening in British Columbia. He must understand how people make investment decisions.

Because you are here today, I am going to give you a gift—a very special gift. I'm going to give every one of you $1 million. When I tell people in British Columbia that they are getting a million dollars, they are pretty excited about it. I guess we are in Toronto, so let's try this again! I am going to give every one of you $1 billion. But there is one caveat: You have to invest in one of the two most western provinces in Canada.

Now let me give you the conditions. In one province—British Columbia—you have the highest marginal personal income tax in any place in North America. You have a corporate capital tax, you have 7-per-cent sales tax, you have a government that has run seven successive deficits and doubled the debt in the last seven years alone. And you have a government that will attack business whenever it is in its economic or political benefit to do so. That's British Columbia.

Keep your billion—there's another option.

You can invest in Alberta. A government that has a $2.5-billion surplus. A government with 15 per cent lower personal income tax. No sales tax, no corporate capital tax, and anything that it can do to encourage business it will do.

How many of you here are planning to invest your billion dollars in B.C.? Please put up your hands.

How many in Alberta? OK and the rest of you are just going to put it in the bank, right?

I was in a meeting in B.C. the other day with about 200–300 people where I asked the same question. One person actually put up his hand saying that he would invest it in B.C. I said "That's good. That's what we want. We want investment in B.C. But can you tell me why you are investing in B.C.?" "Yes" said the fellow, "I see an entrepreneurial opportunity there. I'm going to invest in moving vans and move all those people from British Columbia to Alberta."

That is not the kind of investment we are looking for.

We, the B.C. Liberals, are going to turn around the economy in British Columbia. We are going to change the way the province works. And that's my message to you today.

I want you to know that in spite of the fact that things are not looking very good today in the province of British Columbia we still have a province with excellent resources. We still have a province with excellent people who are ready to go to work. All we have to do is change the current government in B.C.

We have to change the government so that we have a government that believes in private enterprise again. A government that believes in private-sector investments again. A government that believes in profits again. I want you to know that there is a big difference between Glen

Clark and Gordon Campbell and between the NDP and the B.C. Liberals. We believe in profits. Imagine having a Minister of Forests who announces to the world that the days of big profits are over in British Columbia.

Well, there's an investment strategy for you! Come to B.C. and invest your dollars—no profit here!

Of course, that is not going to work. We want to have profits because we know profits mean jobs, profits mean investment, profits mean the dollars that we need to support health care and our public education system. Of course, we want to have profits.

When we are elected we are going to act very quickly and very boldly to change the direction of our economy. We have a Nine-Point Economic Recovery Plan that we believe will set a course for the future. It will move B.C. back from number 10 up to number one in this country.

Within the first 90 days, we will pass balanced-budget legislation in our province. The legislation is written and we are ready to pass it. It says quite simply that the government can't spend more money than it takes in. It will provide fiscal discipline in our public service.

We are also going to pass "Truth in Budgeting" legislation within 90 days. Now I have to tell you that there has been a real problem with truth in budgeting for British Columbia. You may recall that in 1996 Mr. Clark told us that he was running a second balanced budget. It took our Auditor General almost 18 months but he has now come forward with his report. In fact, the 1996 budget had a $748-million deficit. We are aiming in British Columbia today for a $1.5–$2-billion deficit. Now I believe and my colleagues believe that that is taxpayers' money and they deserve to know exactly what is happening with their tax dollars.

And our Truth in Budgeting legislation is very straightforward. It says we have to keep the government's books the way the government makes you keep your books.

We are also going to bring in what we call Merit Employment legislation to depoliticise the public service: Hire people on the basis of their experience, expertise and background not on the basis of the political card that they hold.

And we are going to change the tax system in British Columbia. Within 90 days there will be a dramatic cut in personal income tax in our province. We have set a goal for ourselves that we will have the lowest personal income tax of any jurisdiction in Canada within the first term of office.

Now I know that in Ontario you've got a big headstart on this. They do in Alberta too. But I think that it is time that we understood that people in this country are willing to work hard if they can get ahead. I believe that one of the engines of a free enterprise economy is individual initiative and individual work.

So what we will do is cut personal income taxes. I just want to remind you that the fact that those dollars are not going to the government does not mean that they disappear. In fact, dollars are far more powerful in your pocket then they are in the government's coffers.

Because in B.C., I can tell you over the last seven years—six of the last seven years—personal take-home pay has gone down. We are the only province in the country in the last year that watched as the average weekly salary went down. So as I travel around B.C., people say to me quite regularly, "I am working an awful lot harder but I'm not getting any further ahead." And they are right. We want them to know that if they work harder, they will get ahead. They will be able to think about savings. They will be able to think about providing a better future for their kids and providing more security for themselves.

The first step in that regard is to reduce personal income tax and we will do it.

Within that first 90 days, we will also start a major review of the entire cost of government in British

Columbia because we have to get rid of a lot of the waste, a lot of the NDP's ideologically-driven programmes. We are going to bring back things like open tendering in B.C. We are going to eliminate the fixed-wage legislation that the NDP imposed on our public contracts which has cost our taxpayers approximately $400–500 million since it was introduced, for no net benefit.

We are going to reduce regulation by one-third within the first three years. I am sure that some of you are aware of what has taken place with our forest industry. To give you an idea of what has gone on in terms of policy, our Minister of Forests announced that he was going to cut regulation and save about $350 million a year by cutting the regulatory burden that he has placed on the forest industry.

When he was asked: "Mr. Zirnhelt, but aren't you going to lower some of your standards by reducing regulations?" "Oh no, standards won't be affected by this." Just think about what that means. It means that in the three years since that Forest Practices Code was introduced the government has taken a billion dollars out of the industry for no benefit. We have to stop that kind of policy making.

The B.C. Liberals have worked with Alberta and the other provinces and have gone through a regulatory review so that we can cut our regulation in the province and eliminate the huge hidden costs on small business. We want to re-ignite small business in our province, re-ignite investment in our province.

I think what I have to leave you with is this: We know that the moves that we will have to make are going to have to be bold. We understand that there will be difficult decisions to make but we are ready to make them. I have been working for the last two years to unite the free enterprise family in B.C., to bring it together because we cannot afford another term of NDP government.

We will have an election in B.C. It might be in the next six months or the next year or it may be, God forbid, two years away but the NDP's time is running out. It has run out of ideas and now it is running out of time. We are ready to defeat the NDP and bring back a free enterprise government. We are ready to do that. We are ready to do that with a programme that is decisive and that will work.

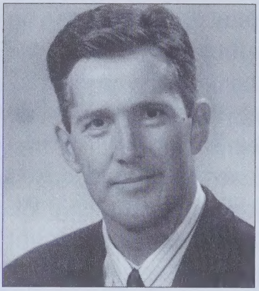
What I would like you to think of as you leave today is not that B.C. is number 10 in economic growth today. We are at the bottom of the list today and there is no doubt about it. But if there was ever a blue chip stock in Canada it is British Columbia. We are a province with great resources. We are a province with great people with great talents and we will be a province that has a government that will encourage private-sector investment again.

You will want to be able to look back in five years and say I made the right investment decision. I invested in British Columbia when it was at the bottom and boy is it ever fun to be making those dollars and seeing those returns on my investment? Is it ever fun to be back at the top and recognise that I'm a part of the solution?

We want everyone in Canada to know that British Columbia has not gone away. We are going to be an active, vibrant and vital player in the Canadian family. We are going to lead by example and we are going to give our province back to the people who live there.

Thank you.

The appreciation of the meeting was expressed by Robert P. Kelly, Vice Chairman, Retail Banking, Toronto Dominion Bank and a Director, The Empire Club of Canada.



October 9, 1998

Brian Pallister

Candidate for Leadership of The Progressive Conservative Party of Canada

BUILDING A NEW CONSERVATIVE HOME FOR CANADIANS: THE P.C. PARTY AT THE CROSSROADS

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Rev. Bill Middleton, Minister, Armour Heights Presbyterian Church; Paul Blizzara, Student, Danforth Collegiate and Technical Institute; Senator Consiglio DiNino, Senate of Canada; Beverly Brooks, Partner, Gray Brooks Communications; Robert F. Richards, Director, RBC DS Capital Management; Stanley Hartt, Chairman, Salomon Smith Barney Canada; The Hon. Al Leach, MPP, Minister of Municipal Affairs and Housing; Robert Schultz, Chairman and CEO, Merrill Lynch Canada; William A. Farlinger, Chairman, Ontario Hydro; and Robert Dechert, Partner, Gowling, Strathy & Henderson and First Vice-President, The Empire Club of Canada.

Introduction by George L. Cooke

The Empire Club of Canada is very pleased to have our guest speaker today—Brian Pallister, candidate for leadership of the Progressive Conservative Party of Canada.

Mr. Pallister was elected to the Manitoba legislature in October 1992 and later became that province's Minister of Government Services, during which tenure Manitoba achieved the distinction of the lowest-cost government in Canada.

He introduced, as a Private Member's Statement, the resolution that became Manitoba's Balanced Budget, Debt Repayment and Taxpayer Protection Act, helping Manitoba achieve the toughest balanced budget legislation in Canada. With what has become known as the "Pallister Clause," the province of Manitoba passed legislation to cut cabinet ministers' salaries by 20 per cent in the event they didn't balance the books in any given year. Manitoba has since passed four consecutive balanced budgets. Brian resigned from his seat as an MLA in the Manitoba Legislative Assembly to join Jean Charest's team in the last federal election.

It was amusing to note in a recent editorial of the Kingston Whig-Standard: "Brian Pallister, aspiring to lead the federal Conservative Party, is the first to mention his height in the context of his political fight. 'This is David and Goliath, and I'm six-foot-eight and I'm David. Go figure,' he laughs."

Prior to entering political life, Mr. Pallister worked first as a high school teacher in rural Manitoba and then as a financial and real estate planner. He received both a Bachelor of Arts degree and a Bachelor of Education degree from Brandon University, where, not surprisingly, he was a member of the U of B Bobcats basketball team.

Brian Pallister holds a strong commitment to Canada, his province and his community; giving freely of his time through professional, charitable and recreational activities.

Mr. Pallister, we welcome you to the Empire Club.

Brian Pallister

Good afternoon.

I want to begin by thanking and congratulating the Empire Club for providing a forum for our party's leadership candidates. The Empire Club has a long and distinguished tradition in our country of stimulating informed debate and opinion on national issues. Surely, there are few more critical issues to the strength and well-being of Canada's political culture and democracy than the role of national political parties.

Disraeli once said about countries that change is inevitable, that change is constant. He said that in 1867, the year our country was born. It has been in many ways the story of Canada.

It holds true even more so today for one of the founding parties of Confederation—our party. The Progressive Conservative Party of Canada is at the most important crossroads it has ever faced. It must decide, through the leadership process now underway, quite simply whether it grows or dies; whether it turns the page or turns out the lights. It must decide to change. For partisan Tories used to the comfortable inevitability of either government or official opposition, these may seem stark choices. But, wilderness has never been an option—until now.

We pride ourselves on being a national party. For the past five years, following the devastation of the 1993 election, this has helped mobilise and motivate us. After all, we have always known the importance of national political parties to both preserving the unity of Canada and ensuring its progress. But this mantra has increasingly become hollow-sounding to sceptical Canadians. Saying you are a national party is not enough to make you one. Worse, it has become a barrier in our own thinking to change and growth. It has provided a convenient excuse not to face the realities of our situation or see the opportunities in front of us. Most importantly, though, it fails to answer the most fundamental question before us today during this leadership process: What kind of national party are we? For if we do not know the answer to this question, how can we expect Canadians to support us? If we do not know what we stand for, how can we ask anyone to stand with us?

My answer to this is to say it's time we became a conservative party based on conservative values, principles, policies and ideology. We need to show Canadians clearly what we stand for. We need to become a conservative party of conviction, not convenience. Canada doesn't need two Liberal parties and it certainly doesn't need two Jean Chretiens.

To do so, we must reach out to conservatives everywhere and ask them to join us in building a new conservative home for Canadians. This is the critical challenge before us as a party—how do we bring conservatives home? For this is the only way we can become the national conservative alternative to the unprincipled Liberals.

1 am the only candidate who can do this. The reason is simple. I don't remind people of why they left. I give them a reason to come home. If you do not understand why conservatives, particularly in Western Canada and Ontario, left our party, you cannot bring them home. They left not because they wanted to, but because they felt the party left them. It's as simple as that. They will only return if we choose a leader who demonstrates clear conservative principles and convictions. A leader who speaks to their concerns and their aspirations. A leader who understands their region.

My opponents in this leadership race, Mr. Clark and Mr. Segal, don't agree with me. That is their prerogative. But what then, is their alternative? Mr. Segal, frankly, stands for many things. He has papered the country with policy documents on everything from soup to nuts. And that's the problem. We are left uncertain as to what are his priorities. Is it cutting taxes or more spending on defence? Is it lowering the debt or more spending on health care? These are leadership choices. Choices that he has not made. As my grandfather used to say: "If you stand for nothing, you'll fall for everything."

But Hugh, to his credit, has at least sought to engage in a policy debate. Sadly, the same cannot be said for Mr. Clark. Just two weeks ago, Mr. Clark stood on this very platform and failed to offer one single new idea of policy or principle to justify his leadership of our party. David Orchard may be a single-idea candidate, but it appears to be at least one more than Mr. Clark has provided. Mr. Clark has offered nothing new to say where he wants to take our party. He refuses to release a platform. No policies. No platform. No ideas. He wants a blank cheque from the party to say and do what he wants. It's the same old, elitist, centralised, top-down approach that made conservatives leave our party. It will not bring them back.

I am the only candidate to release a detailed leadership platform during this race. It is based on what I sincerely believe is good for this country. And it is based on my experience as a cabinet minister when I helped put many of these ideas into practice. But Mr. Clark opposes my platform. I have called for a balanced budget law and a legislated plan to pay down our national debt. I have called for specific tax cuts. 1 have called for a taxpayer protection act that would require a referendum prior to any major tax increases. I have taken a "no pension pledge" saying I would not take the MP's pension. Mr. Clark opposes each and every one of these ideas. Mr. Clark has certainly said what he opposes—virtually every conservative policy that I and the majority of people in our party support—but he refuses to say what he supports. For Mr. Clark, the golden rule is silence.

I respect what Mr. Clark has done for our party in the past. But I don't believe Canadians want our party to choose the past. Quite frankly, it would be a mistake. The wrong message at the wrong time. It's a risk we cannot afford to take. Canadians want our party to choose the future. It's time to turn the page on the past. It's time to set out on a new path under new leadership. Only in this way will we demonstrate to Canadians that we got the message sent to us in '93 and '97. Only in this way will we show we stand as a conservative party dedicated to our convictions. Because we have always won as a national party when we stuck to our convictions. When we have been true to our history, we have found favour with the voters. When we try to be "pretend Liberals," we lose every time.

You don't win an election by saying you're going to do it. You win an election by showing you can do it. With all due respect, Mr. Clark's experience in this endeavour is a mixed one to say the least. One might say, both he and Mr. Segal are electorally challenged. I say this not out of disrespect, but because Mr. Clark has sought to make "winnability" an issue in this leadership race. He says he has the experience to take us straight to government. In fact, he said in the next election he will win another 140 seats beyond what we already hold—enough for a majority government. Last weekend in Edmonton, he said he has begun a list of some 15 ridings in Western Canada he will win. I have only two words for Mr. Clark: Show me. Show me the list. Please don't keep it a secret. Tell us which ridings you will win. And then tell us how you will do it.

I grew up on a farm in southern Manitoba—next year, in fact, we will be a century farm—and I know what you have to spread to help the crops grow. But I think we all agree that we'll need something different than Mr. Clark's rather self-serving predictions to reap a bumper crop of Tories at the next election or the one after that.

Mr. Clark is frankly doing our party a disservice by being so glib about our electoral situation. There's no magic wand available to Mr. Clark or anyone else that will ensure our growth and survival. Tories want strategy, not hyperbole. There is only one strategy that will win. Only one strategy that is both honest and realistic. That strategy begins first and foremost with bringing conservatives back home. We can win only by rebuilding from a strong, secure conservative base. By becoming a big tent conservative party. By finding common ground with conservatives everywhere through a genuinely conservative party of principle, policy, and ideology.

My policies are conservative ones. I believe in them. So do most Canadians. Paying down the debt, cutting taxes, guaranteeing health care, making our homes safe from crime: These are all issues Canadians want solutions on. I have proposed specific solutions on each of these.

A couple of debates ago, Mr. Segal said I was imprisoned by ideology. I thought that was a pretty good shot. I responded, fairly I thought, that the same could not be said about him.

There is something that will not bring conservatives home: labels. When Mr. Segal announced his leadership bid several months ago, he said labels were for soup. Two weeks ago at our London leadership debate he changed his mind and decided to label me a Reformer. Mr. Clark's campaign meanwhile has been phoning fellow Tories in my home province of Manitoba saying, "Don't vote for Pallister. You know he's a Reformer." This doesn't make me angry. It just makes me sad. Haven't we learned our lesson? Do we not truly understand what happened in 1997? You can't shake hands with a closed fist. And you can't reach out with a closed mind. Unfortunately, my leadership opponents just don't get it. They don't want to bring people back. They want to label people and keep them away. This is a strategy for failure. If we don't understand history, we will become history.

Canada needs a national conservative alternative to the Liberals. This is more than just a question of dividing the vote. This is about offering a fundamental democratic choice to Canadians. Our party has served Canada well as a national party. We sought to understand the legitimate regional aspirations of Canadians—whether it was philosophical or populist. But over time we strayed from that path. Canadians saw this and responded accordingly. Now, we must start anew. That's what this leadership process is all about.

I am running for the leadership of our party to take us on a new path. The status quo is no longer an option. We don't have the luxury of sentiment or the indulgence of nostalgia. Simply put, you cannot build for the future by looking to the past.

We have in Ottawa today perhaps the most unprincipled, deceitful government of bullies in our history. They trample democratic rights at home in order to coddle dictators abroad. They say they want to protect medicare, but have cut over $6 billion from health-care and social services transfers to the provinces. Canada's Health Minister, Allan Rock, says it's time to declare war on Premier Mike Harris, when Canadians want him to start battling hospital waiting lists. And now, we have a hapless Solicitor General caught with terminal mouth disease saying the fix is in on the APEC inquiry into how the Prime Minister's Office tried to use the RCMP to stifle legitimate political dissent.

At no other time in the past five years has Canada needed a national conservative alternative to this government than now. The issues facing our country are enormous and urgent. We have a debt—our national mortgage—of over $600 billion and no federal plan to start paying it down. Our health-care system is in crisis—underfunded with no federal/provincial plan to work together and fix it. Canadians are taxed too much and when dynamic provincial governments, like that of Mike Harris here in Ontario, offer tax cuts for low- and middle-income Canadians, Paul Martin, a pretend-conservative, steps in to scoop up the change.

Some people in our party are so confused about Paul Martin they actually think he's a conservative. He's not. He's a "Halloween conservative," all dressed up to look the part. No conservative cuts the deficit by raising taxes instead of cutting spending. No conservative slashes health care by 30 per cent but cuts federal programme spending by only 6 per cent. No conservative reforms pensions by jacking up your premiums. And no conservative balances the nation's books through an E1 slush fund on the backs of working Canadians and small businesses. Let's be clear once and for all. Paul Martin's no conservative. I am.

I hope you don't think I've been too tough on Mr. Clark today. 1 certainly don't want to leave you with the impression that we have nothing in common. In fact, we share something very important. With Mr. Clark, I am the only leadership candidate with previous electoral experience. I have been elected in the past. I will be elected in the future. Others haven't and won't.

But we differ in this most fundamental respect. 1 am the only true alternative to Mr. Clark. I stand for change. I stand for a new direction. Mr. Clark doesn't.

I believe in this party. I left a provincial cabinet minister's position in Manitoba to help Jean Charest and run for a two-person party in the last federal election because I wanted to help rebuild it. I am, in fact, the only leadership candidate who ran for our party at that time, and I am the only one who has made a commitment to do so again in the next election.

I got into politics not out of any burning ambition to hang new curtains at 24 Sussex. I am, perhaps, a little different from the other fellows in this race in that respect. I joined our party to run as an MLA in Manitoba because 1 wanted to make things better—for my family and my province. That has given me experience and insight into how to make government work better for people. And like you, I believe conservative principles and values are what this country needs. Principles like free enterprise, lower taxes, smaller government, paying down your debts, and guaranteed health care. And values like responsibility and opportunity.

Now, I have an opportunity to help my country. There are no more important institutions to the well-being of our country than national political parties. Canada needs our party. But most of all, it needs our party as a party of conviction and principle—a conservative party, not another Liberal party.

As you all know, I come from Manitoba—the geographic centre of our country. Last year, many Manitobans lost their homes and belongings in the great Red River flood. But people of all backgrounds and faiths joined together to form a bulwark against the rising floodwaters. That flood coincided with another important event of that year, the federal election. Manitoba became another bulwark that year—a political one—as both our party and the Reform party ebbed and flowed on election night. But neither could cross the Manitoba border.

There's a lesson here for all of us. Manitoba has been a bridge between east and west throughout our history. Immigrants passed through our province during the epic migration in the early part of this century to settle the West. Winnipeg has been a great entrepôt—a commercial and transportation hub connecting Eastern and Western Canada. We need, as a party, to recapture that same spirit of bridge-building and reaching out to conservatives from east to west if we are to become Canada's national conservative alternative.

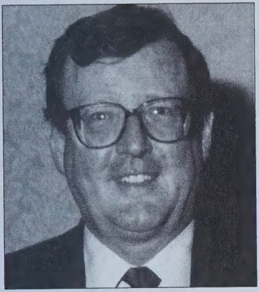
We have a unique opportunity in front of us as a party. We are engaged in the most democratic grassroots leadership process in the history of Canada. We should be proud of this. But we must not let this opportunity pass. We have no time to waste.

If we return to the past, Canadians will consign us to the past. If we don't reach out, conservatives won't come home. If we don't say boldly and proudly we stand for principle and conviction, then Canadians won't have a reason to look once again to our leadership. The choice for our party is clear—forward or backwards. Choose the future or return to the past. Mr. Manning and Mr. Chretien have their own choices for leader of our party. Let's not let theirs be ours.

Thank you.

The appreciation of the meeting was expressed by Stanley Hartt, Chairman, Salomon Smith Barney Canada.

The Hon. Al Leach, M.P.P., Minister of Municipal Affairs and Housing, Allan Fotheringham, Author and Columnist and Anne Libby, a Director, The Empire Club of Canada.



October 14, 1998

The Rt. Hon. David Trimble

First Minister of Northern Ireland

NORTHERN IRELAND—THE WAY AHEAD

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Montague Larkin, Executive Director, The Ireland Fund of Canada and Honorary Director, The Empire Club of Canada; Bishop Arthur Brown, Chancellor, Renison College, University of Waterloo; Thomas Savage, Chairman, Northern Ireland Partnership and Immediate Past Chairman, The Ireland Fund of Canada; The Hon. Barbara McDougall, former Canadian Secretary of State for External Affairs and Chairman, AT&T Canada Long Distance Service; Sir Anthony Goodenough, British High Commissioner to Canada; Laurent Beaudoin, Chairman, President and CEO, Bombardier Inc.; William Neill, Vice-President, Sun Media Corporation and Chairman, The Ireland Fund of Canada; Brian Metcalfe, President, Bay Research Associates Inc.; Judith Cirulis, Student, North Toronto Collegiate Institute; and Ann Curran, Partner, Lewis Companies and Third Vice-President, The Empire Club of Canada.

Introduction by George L. Cooke

We are privileged today to have as our guest speaker, The Right Honourable David Trimble, First Minister of Northern Ireland.

Mr. Trimble is a veteran of Northern Ireland politics, involved in the hardline Vanguard Party led by William Craig in the early 1970s. In 1978 he entered mainstream unionism and joined the Ulster Unionist Party, and in 1990 he was elected as MP for Upper Bann.

David Trimble was the winner in the race for the leadership of the Ulster Unionist Party in 1995. He succeeded to the top of the party after refusing to support John Major's government in a parliamentary vote on European Union fishing policy. He had little support from his parliamentary colleagues, but the party rank and file clearly thought differently. In part his success was explained by his high-profile role during a stand-off in Drumcree between members of the Protestant Orange Order and local Catholic residents. His election was also an indication that rank-and-file unionists were unhappy with the government's vision of the future for Northern Ireland and wanted to see firm leadership at the top of their party. Soon after he was elected party leader, Mr. Trimble showed his true leadership as he was prepared to upset some of the unionists rank and file by meeting with the main party leaders in the Irish Republic.

Mr. Trimble is a former lecturer in law at Queen's University in Belfast and a non-practicing barrister by profession. He was born in Bangor, a seaside resort in County Down. The fact that he ascended to the leadership of the Ulster Unionists was something of an upset, since he is not of the Anglo-Irish "squirearchy" that for generations has controlled unionism in Northern Ireland.

He has been described as being an "effortlessly articulate but routinely intransigent defender of the Union."

Mr. Trimble, welcome to The Empire Club of Canada.

David Trimble

Thank you for those kind words of introduction and allow me first of all to say how delighted I am to be here. It is indeed a signal honour to be invited to address The Empire Club of Canada, following, as I do, in the footsteps of international statesmen and world leaders. Others better known than I but with domestic political problems that eclipse those of Northern Ireland have graced this stage. I too am honoured to have been invited to address such an august gathering.

By any yardstick, the past six months have been a political roller coaster of unparalleled intensity in

Northern Ireland. We have had the negotiations and the Agreement in April, followed by the referendum campaign in May then the Assembly elections in June! Now we are engaged in the task of establishing a new political order where local, accountable government, responsive to the needs of all our people is taking root. For the first time in a generation, we have the prospect of real peace—a goal worth striving for and taking some risks for.

It has been a difficult summer culminating in the terrible bomb at Omagh. But there was a qualitative difference in the public reaction to this outrage. We detected a settled determination by the people that these events should not deflect us. There is now no support among any significant section of the people for a return to violence. We, the elected representatives owe it to them and to so many others to be determined and tireless in our efforts to create a new political landscape in Northern Ireland in which all our people have a stake and where all can claim proud ownership. My party and others in the new Assembly realise it is a daunting challenge, but I believe the over-riding desire to create a better future will embolden and strengthen us.

We are an industrious, plain-speaking and proud people who have given much to the world. Now, more than ever, we need to call on those same qualities so characteristic of our forefathers to finish the job we have started.

Everywhere I look in this great country I see Ulster in miniature. Everywhere I go, I see reminders of the contribution Ulster people have made to the creation and establishment of Canada.

You and I revere and honour the same people—people who left Ulster to find a new life across the Atlantic and who went on to make their mark in commerce, construction, banking, politics and the nation's armed services.

Street names and monuments commemorate their contribution and commitment. Men such as Lord Dufferin of Clandeboye in County Down who, as Governor General of

Canada, made such a profound constitutional impact, and Edmund de Wind who emigrated to Canada and became involved in the building of the great Trans-Canada Highway. On the outbreak of the First World War he returned home to join the Ulster Division and was killed on the Western Front in an action, which earned him the Victoria Cross. It is a fine acknowledgment of his service that a mountain near your world-famous Whistler Resort in British Columbia is named after him—a permanent reminder by a grateful people. He wasn't alone. Many others fought with distinction and they too are honoured at the Ulster Division Association Club located not far away from here in Gerrard Street. The Association was formed by veterans of the Great War and today it still serves as a focal point for the tens of thousands who have made Toronto and Canada their home.

Then of course, there was Timothy Eaton, an Ulsterman whose name is a byword for hard work, business acumen and entrepreneurship. His great grandson, Fred, maintained his family's close links with Ballymena and Northern Ireland during his recent term as Canadian High Commissioner to the United Kingdom. The relationship we have is profound. I mention but a few of those who left our shore in search of a new life in a young country but the relationship is not just one way.

Canada has given generations of people from Northern Ireland the opportunity of a new life and in return Canada has been rewarded and fulfilled. Just as Northern Ireland has been rewarded with some exports from here. Names like Bombardier and Northern Telecom are household names here but they have also carved out an enviable reputation back home.

They now account for over 7,000 manufacturing jobs and thousands more in indirect support employment. They have each set international quality benchmarks, which serve as role models for the rest of industry to emulate. Northern Telecom, through Nortel Networks in

Northern Ireland, is an international player developing and manufacturing telecom systems for the global marketplace. Regional, United Kingdom, and European Quality awards grace its boardroom—no finer tribute to a company and work force at the forefront of technology.

When Short Brothers of Belfast, the old and respected aircraft manufacturer which had been nationalised, was about to be privatised in the late eighties, Bombardier spotted a commercial opportunity and became the new owner. Shorts was poorly funded, losing money and needing modernisation. Bombardier, in partnership with a progressive local management and a willing work force, set about rebuilding and reviving the once great aviation company. With the introduction of new manufacturing methods, product diversification and substantial investment, the company is Northern Ireland's largest private-sector company. A dramatic turnaround made possible by a Canadian company in partnership with a work force that was given the opportunity to embrace a new era and prove to the world that the skills base and work ethic we pride ourselves in are alive and well.

Today, there is another Canadian name making an appearance in the business pages of our newspapers. CanWest, the fast-growing media group based in Winnipeg has bought a stake in Ulster Television, Northern Ireland's only independent television station.

Bombardier, Nortel, and CanWest are welcome investors. They know that Northern Ireland is good for business. Bombardier and Nortel invested in Ulster when times were not so good. They were, if you like, the Canadian pioneers, the industrial frontiersmen with the same spirit and determination so characteristic of the Ulstermen who came to Canada to build a new future.

In Northern Ireland today, we too are building a new future. Scamus Malion and I, as the newly designated First and Deputy First Ministers of the Northern Ireland Assembly, are here with a team from the IDB to encourage trade and investment. Our purpose is to provide the economic underpinning of the opportunities provided by the Agreement.

It is right that this first joint venture should be for the purpose of building the Northern Ireland economy. North America leads the industrial world and is the largest international investor in Northern Ireland, generating over 10 per cent of our manufacturing jobs. Since 1990 over 45 companies from North America have invested well over $1 billion in setting up or expanding operations in Northern Ireland. Included in this list are Fortune 500 companies like Emerson Electric and Seagate and Canadian giants like Nortel Networks and Bombardier.

Economically Northern Ireland is more fertile than ever before. We are not an emerging market. The Bann and Lagan valleys in counties Down and Antrim are where the industrial revolution took root in Ireland. We have an industrial and entrepreneurial tradition.

We are here to explain the investment opportunities in Northern Ireland—opportunities free from past problems and enhanced by a new Agreement. Stability, investment potential, prosperity. These are the words people will use when they talk of Northern Ireland in the future. In the language of industry, Northern Ireland has re-tooled. It has a new management elected by its people. We are now facing the international marketplace confident in ourselves.

Let me highlight again the key points.

First, we have the right connection. Northern Ireland is the ideal gateway to the largest single market in the world. We speak your language. We have common business methods, a familiar legal system, and a common culture. These advantages we share with our neighbours in other regions in the British Isles.

What distinguishes us from them is the second key point. We have the right people. One of the best educated work forces in Europe. College leavers have average grades higher than our neighbours. Young people, highly skilled, readily available and enthusiastic for work. Ten thousand of them leave colleges and universities each year. Now more than ever before they are determined to make the best of the new opportunities for the future.

Thirdly, we also have the right business base offering attractive costs in comparison to the rest of Europe both in terms of staffing and property, acquisition and construction costs being lower than other regions.

Finally we have an extremely business-friendly tax environment such as no property taxes on industrial premises. We can offer a very attractive package of tax-free-set-up incentives to the potential investor.

In Boston yesterday we announced that Segue Software Inc. was going to open a worldwide technical support Call Centre in Belfast. In an overview of its plans Segue wrote that it "is looking to expand in Northern Ireland because of its lower operating costs, its well trained and enthusiastic human resources and its excellent computing and telecommunications infrastructure."

In fact AVX lose more days due to snow in South Carolina than they do to labour relations in Northern Ireland.

To those economic advantages we can now add the prospect of political stability through the Agreement. Its main elements are interdependent and interlocking. The constitutional question has now been settled for good with the enshrining of the principle of consent. There can be no change in Northern Ireland's position within the U.K. without the assent of a majority. The Agreement enshrines equal rights for all and it incorporates a new wider dimension to Northern Ireland's relationships with the formation of a North-South Ministerial Council and a British-Irish Council For the first time, the totality of relationships within the British Isles will be catered for and used to further co-operation. The Agreement also provides for the release of prisoners over a two-year period and for the decommissioning of all terrorist weapons and explosives. All parts of the Agreement are interlocking; all are interdependent; all must move forward in parallel. At present all parts are moving forward bar one. There has been no decommissioning of weapons.

There is no longer any justification, moral or political, for violence. There is no longer any need to hold on to the weapons of violence. Their decommissioning is not a precondition to progress under the Agreement. It is an obligation and one that must be fulfilled before the representatives of violent organisations can take their seats at the table of democracy. This is the litmus test of the Agreement and of those organisations from whom the fundamental issue of decommissioning is required. The demand for peace does not just come from Unionists. It comes from all sections of society. I believe that paramilitary organisations will not be able to resist the pressure from society for much longer.

This is the final hurdle and one which when overcome will allow Northern Ireland to be at ease with itself and its neighbours. Just as Canada enjoys sensible business and trading ties with its neighbour, the United States, so too should Northern Ireland with the Republic of Ireland. Impressive levels of cross-frontier business already occur but much more could be done, not simply in what is bought and sold, but across a range of activities from co-operation in agricultural research and disease control to unproved management of shared amenities such as our inland waterways.

We have a lot in common with the Republic of Ireland but there is a lot also that separates us and makes us different. These differences should represent opportunities not difficulties and you in Toronto provide the perfect model.

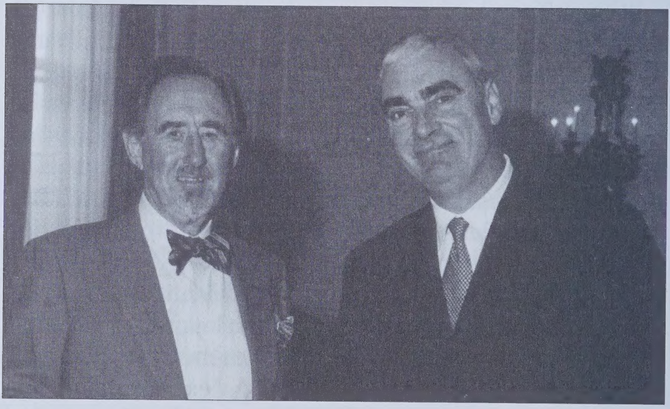
Almost every culture on earth is represented in this impressive, bustling, cosmopolitan city and each co-exists with the other. Canada celebrates difference and shows the rest of the world how those from widely differing backgrounds and ethnic origins can live side by side. This is not a weakness. It is a strength with respect at its core. Canada has come to terms with the differences that go to make up its rich cultural tapestry and it is the stronger for it.

Canada has supported the peace process through the example it sets for us and through the financial support it has provided to the Peace and Reconciliation programme of the International Fund for Ireland and through the work of the Ireland Fund of Canada. I wish however on this occasion to single out one particular Canadian for his untiring efforts with the peace process. General John de Chastelain worked with Senator Mitchell and Prime Minister Holkeri on the International Body that established the six Mitchell Principles of non-violence. He co-chaired the peace talks and has remained in Belfast to chair the International Decommissioning Body. This is perhaps his most difficult role to date but his military expertise coupled with his patience and diplomacy has earned him respect from all sides. Here is a Canadian who came to Northern Ireland and has made a difference.

I invite you all to come to Northern Ireland and see the difference. As peace takes hold Northern Ireland will reassert itself as a premier tourist destination. A few weeks ago the Hilton Group opened a hotel in the heart of Belfast's waterfront regeneration zone, a zone that has been modelled in many ways on the Toronto waterfront development. Other international chains are establishing themselves and it is estimated that our developing tourist industry could create up to 20,000 new jobs over the next few years. Here again, political stability is the key. The new Assembly will prioritise tourism and we look to Canada and America as key markets to develop.

It is my intention to forge new relationships and partnerships for the benefit of all our people. It is my strong conviction that one of the longest-running conflicts in any region in Europe is at last coming to an end. And it is my plea to you today to continue to support us as we make a great leap forward. Canada has been a great friend to Northern Ireland. We have strong business ties and a common allegiance. We can look to the future together as old allies and new partners. Thank you.

The appreciation of the meeting was expressed by Ann Curran, Partner, Lewis Companies and Third Vice-President, The Empire Club of Canada.



Montague Larkin, Executive Director, The Ireland Fund of Canada and Honorary Director, The Empire Club of Canada and Brian Metcalfe, President, Bay Research Associates Inc.

October 22, 1998

A joint meeting of The Empire Club of Canada and The Canadian Society of Technical Analysts

David Rudd

Senior Vice-President, Refco Futures

Professor Luis Seco

Associate Professor, Mathematics Department, University of Toronto

IMPORTANT RESEARCH: SKILL; INVESTING WITHOUT MARKET RISK

Chairman: **Ann Curran**
Third Vice-President, The Empire Club of Canada

Head Table Guests

Douglas Todgham, Vice-President, The Canadian Institute for Advanced Research and a Director, The Empire Club of Canada; Rev.

Canon Paul Feheley, Rector, St. George's Anglican Church, Oshawa; Althar Kamal Malik, Grade 12 Student, Ursala Franklin Academy; Ken Shaw, National Editor, CFTO Television and a Director, The Empire Club of Canada; Daniel Han, Director, Canadian Society of Technical Analysts, Applications Specialist, Bridge Information Systems Canada Inc.; Nancy Fortner, Director, Human Resources, Bridge Information Systems Canada Inc.; Peter Gee, Director of Finance and Administration, Bridge Information Systems Canada Inc.; Dennis Slocum, Reporter, "Report on Business," The Globe and Mail; and Blake Goldring, CFA, President and COO, AGF Management Ltd. and a Director, The Empire Club of Canada.

Introduction by Ann Curran

David Rudd

In describing his experience on Wall Street during the stock market decline of 1973/74, Robert Rubin, the U.S. Treasury Secretary was recently quoted in the Wall Street Journal as saying: "The smart and shrewd lost a lot of money. Those that weren't smart and shrewd were wiped out." That is a direct quote from the man charged with preventing a global economic firestorm.

I am here to talk about how to insulate ourselves from market risk.

For those of you who don't know our firm, Refco Futures is probably the world's largest trader of futures for clients. By that I mean our trading is all for clients and we do not have a proprietary book. Globally, we act in a fiduciary capacity as an agent, helping hedgers reduce their risk and helping informed speculators trade for profit. We don't have significant retail penetration, but instead look to use our specific expertise to work with firms that do!

Futures have extraordinary price and credit integrity. At any time there may be 50,000 people watching and trading U.S. bond futures and 5,000 traders watching coffee futures. All of these people have an interest in price and they all can participate if they abide by the rules of futures.

Futures are open to everyone. Every trade is public and open to those who have an interest. This level playing field creates tremendous price liquidity and permits a very distinctive style of trading for profit in a highly creditworthy environment. Many of you may not know that The Bank of International Settlements (the bankers bank) considers futures THE most creditworthy investment vehicle.

With that as background, let's review recent events. World equity markets are down anywhere from 20 per cent to 80 per cent from their highs. Stocks which seemed to be "go-to stocks," Nortel, Newbridge, Newcourt, and the Banks are proving to be fair-weather friends.

When the chips are down, we realise we cannot count on any stock or any central banker to deliver returns. The market delivers. Any hint that global growth is threatened is death for equities, regardless of the skill of the trading manager.

So where does an investor go if he is concerned about exposure to economic growth?

The knowledgeable investor knows that the market does not owe anyone a retirement! I want to point out the importance of the year 2001. In 2001 the first baby boomers turn 55 and will begin retiring.

If the market does suffer a setback they may have run out of time to earn it back! Their exposure to the market personally and through their pension plan is simply stunning! History tells us the equity market will at sometime suffer a significant and lasting decline! In the last major decline, the equity market didn't take out its 1968 highs until 1984–85. If we look at the opportunity cost of money, equities didn't break even until 1994.

Earlier this year, Professor Seco of the Mathematics Department at the University of Toronto concluded that returns not correlated to the equity market can be obtained if we look at skill rather than markets. The daily demonstration of skill is the best assurance that returns come from the manager rather than the market.

For instance, a strategy which entails shorting U.S. Treasuries and buying out-of-favour debt does not demonstrate skill; it is a strategy. A bond fund that buys corporate debt is not a skill; it is a strategy. Owning commodities is not a skill; it is a strategy. Skill will generate a return regardless of whether the market goes up or down. A strategy will pummel the investor when market conditions change.

I want to urge everyone in this room to make it their business to learn more about a group called Commodity Trading Advisors (CTAs) who continue to make money, year in year out, regardless of the economy. These managers trade commodity futures in oil, wheat, French bonds, Japanese yen and many others for profit and make money when futures prices go up and when they go down.

Refco's Index of all CTAs is up 17 per cent for the year. Refco's Canadian Managed Futures Trust which embraces the methodology Prof. Seco will talk about has done significantly better than that since its launch in April. Our fund for Japanese investors which was launched six years ago has generated consistently positive returns while their stock market has lost 70 per cent of its value.

A major reason why profits are consistent is the non-correlated price action of commodity futures. This is seldom seen and its importance can not be overstated. Think of cocoa and U.S. Treasury bonds. Think of currencies and cattle. Do you see the non-correlation? I contrast that with the very concentrated bet on economic growth that equities imply.

Another reason why profits continue is the liquidity of futures. This means we can reverse or close a portfolio in one day with no price damage. An equity portfolio can take months to unwind. To give you an example, our

Canadian futures contract in Montreal has more liquidity than Microsoft! Do you see why participation might be less risky than many assume and why non-correlation can save a portfolio from harm?

As we all know, things are not always as they seem! Trading global commodities professionally for profit has a solid history of returns, but sounds iffy! Although bong hedge funds sounded safe, those who participated were recently traumatised as the hedge funds paid lip service to non-correlation. Many hedge funds bought cheap bonds and sold expensive bonds as a hedge. When Russia defaulted on its debt, the strategy collapsed and it became obvious most funds had essentially one correlated transaction. As prices went against them, the hedge funds continued to add to concentrated positions in illiquid securities, making their exposure worse!

I contrast the returns of hedge funds and the equity market with those of the Commodity Trading Advisors. August and September have been their two best months this year. The Refco Index of over 500 managers gained 13.8 per cent in those two months. Some of the more skilled managers did extraordinarily well.

These advisors in Professor Seco's study have no belief in the fundamentals. They use proprietary technical trading models to identify price trends and superior money management techniques to eliminate losers. They just want to participate in price movement up or down. They are not gods. They do not pretend to predict the future. They always play defence because they are often unsure of where trends will develop or when they will end. If price moves against them, they want out immediately!

The unparalleled liquidity of futures means that it's inexpensive to liquidate and re-establish positions. A long-term view in these markets is fatal as prices of debt, currencies and commodities all show an astounding tendency to retrace past-price history as price performs its traditional function of balancing supply and demand.

Because each of these managers can be in 60 or more non-correlated markets such as cocoa and the French franc and could be long or short, their returns are not hurt by systemic events like a debt default or a slowing economy. Recent history shows they probably will profit from it. I truly believe that an investor who wants to protect his portfolio should ensure returns come from these non-correlated sources.

I like to illustrate what we mean by skill with the story of the money manager who happened to meet Bill Gates, of Microsoft at a conference in the mid 1980s. Microsoft has been a huge part of his very successful investment portfolio ever since. His returns are top quartile and big money has flowed to him to manage. My question to you is: "Has he exhibited skill?" He has made one decision in 13 years. Can this manager make money regardless of the market and protect a portfolio from harm? The actual demonstration of skill is difficult!

When Refco looks at the performance of Commodity Trading Advisors, we want to see thousands of uncorrelated trades. We want to see how they maximised their profits and how they kept losses to a minimum. We want proof of skill in all markets. We know skill exists in these markets just as plainly as it exists in golf, hockey or chess. Once we are convinced this manager has skill, we want to see how we can combine the returns to reduce risk even further.

Earlier this year we presented Prof. Seco's research at a seminar sponsored by Federated Press. Our thesis was then as it is now that true skill will save a portfolio from significant damage. An important part of the presentation was the assertion that "No one is on the lookout for events which can truly damage a portfolio." Don't forget that an 80-per-cent decline means the investor needs a 500-per-cent gain to break even so the smart investor should want to cut losses quickly. Events at that seminar made us realise that it is up to the investors to protect themselves and the reason is the advisors don't get paid for performance; they get paid for relative performance.

If each of these Commodity Trading Advisors that we study can make money each year, is there a way to combine their skills to reduce risk even further? For example, can we combine the skills of trend-following managers with say shorter-term counter-trend traders to reduce or eliminate drawdowns when there are no price trends? If both styles make money or break even, we can combine the very best to generate consistent returns with low volatility.

About a year ago, we asked Risk Lab of the Mathematics Faculty of the University of Toronto to conduct a comprehensive review of the monthly returns of the more than 500 successful managers who use futures for profit. His comments and his study which he will share with you have helped and will help in the development of products with consistent returns and low volatility regardless of whether the Dow goes to 14,000 or 4,000.

You recall the quote from Robert Rubin earlier about how the smart and shrewd lost a lot of money in the downturn of 1973/74 and those who were not smart and shrewd were wiped out? There was a third option then and there is now!

All of us at Refco truly believe the strategy of using managed futures to generate a consistent return and insulate one from the risks of the market.

Finally, whether the stock market gains 20 per cent or loses 20 per cent is not the issue. The issue is we can reduce our large exposure to the equity market and generate a consistent return.

Professor Luis Seco

I wish to thank the Empire Club for the invitation to speak here. This is a privilege and an honour.

The University of Toronto has, for some time, been trying to bring its research component closer to the industrial community. I joined that mission in 1996, participating in the set up of a new group. That group would do research on topics of interest to the finance sector. We called it Risk Lab, and it is a joint initiative of the University of Toronto with Algorithmics Inc. The group consists of myself as academic director, Rafa Santander as industrial director, and a selected group of PhDs and graduate students.

In 1997, Refco approached us with an exciting question: to view investments from a skill perspective and, based on that, explore the risk/return profiles of skills portfolios.

We quickly set to work. The questions to be determined were the following:

1. How do we identify skill?
2. How do we measure its returns?
3. How do we assess its risk?
4. What do we gain from diversification strategies?

Skill. What is skill? It is well known that if we can get 100 monkeys making trades in a random fashion, the best two or so will show a fantastic performance. Do they have skill?

In the course of our study, we learned that Commodity Trading Advisors can be classified according to their trading styles or characteristics. Trend followers do that: follow trends. Short-trend followers extract value from frequent short-time trades. Etc. Is that skill? One could easily imagine the same population of monkeys, following the same "style," and still having the top 2 per cent showing remarkable returns. We needed to look at returns in an objective way.

Math comes to the rescue. Given a population—like the monkeys—it is possible to factor out all that "noise," look at the group as a whole, and decide whether there is indeed a group tendency. This is called an "index"—not unrelated to the DJIA or S&P, for instance. This has been well known since the beginning of the century, and is now a common technique used for a variety of purposes, from making marketing decisions for shoe companies to the prediction of the weather.

Well, guess what? The index for the monkeys is flat.

Armed with this classical theory and with a software implementation of it, we prepared ourselves to analyse the population of CTAs inside each of those trading styles.

The first thing to try out was return. If the indices showed a positive return, there would be skill. Otherwise, probably not. Returns were positive. And roughly comparable to average market returns.

Is that the end? Have we concluded that skill is there and is useful as an investment vehicle? No. Why? Because we still need to assess its risk.

Few people, specially lately, want to hear about investment returns unless the risk involved is within reasonable bounds. In fact, the question often asked is not so much the expected returns, but the return per unit of risk. Fortunately, having developed the concept of the index, measuring risk is a matter of a calculation. The results for each skill were reasonable—returns similar to those in the markets and similar risks. However, the interesting aspects of this arise when combining skills. A dramatic effect occurs when one applies usual portfolio theory to skills.

Markowitz obtained the Nobel price for economics for his understanding of risk, and his ability to measure that on an equal footing with returns. Since then, it is well known that proper combinations of uncorrelated investments can dramatically reduce the risk without affecting returns. This is a beautiful theory which is often underutilised, applying it to simple combinations of bond and equity instruments. One could take it much further if only one knew of larger families of uncorrelated investment products.

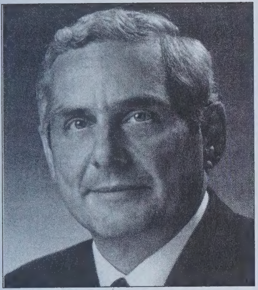
Skill provides exactly what is needed: Our study showed a large class of skill-based instruments with nice returns, regular risks and very low correlations. Should we try portfolio theory on that?

We did. The results were very attractive. Keeping the same returns, we saw the risks reduce considerably through proper diversification exercises. Returns per unit of risk were comparable to, or better than those observed in financial markets.

Note that the interest of the results is the alignment of three events: good returns, reasonable risks and low correlations. One can easily imagine investments that achieve one, or maybe even two of these properties at the same time. Finding one that satisfies all three is rare.

I will end with the conclusion which I consider to be important: Skill allows for investment vehicles that provide market-like risk/return profiles, but are market independent. While none can predict future returns, risk reduction through diversification policies is known to be a stable phenomenon.

The appreciation of the meeting was expressed by Daniel Han, Director, Canadian Society of Technical Analysts, Applications Specialist, Bridge Information Systems Canada Inc.



November 5, 1998

Dr. Claude Lajeunesse

President and Vice Chancellor, Ryerson Polytechnic University

BEYOND THE IVORY TOWER: MAKING UNIVERSITIES ACCOUNTABLE

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Ken Shaw, National Editor, CFTO Television and a Director, The Empire Club of Canada; The Reverend Douglas Kramer, St. Phillips Lutheran Church, Etobicoke; Fana Seife, Student, Harbord Collegiate Institute; Nazmin Zaver, President, Continuing Education Students' Association of Ryerson, Ryerson Polytechnic University; Dr. Lorna Marsden, President, York University; Dale Patterson, Chair, Board of Governors, Ryerson Polytechnic University and Executive Vice-President, Canadian Medical Discoveries Fund Inc.; John Wetmore, President and CEO, IBM Canada Ltd.; The Hon. David Crombie, Chancellor, Ryerson Polytechnic University, Chair, Waterfront Regeneration Trust and Honorary Secretary, The Empire Club of Canada; Dr. Anne Golden, President, United Way of Greater Toronto; John Brooks, Chair, Fundraising Committee, The John Brooks Community Foundation and Scholarship Fund; and Ed Badovinac, Professor, Telecommunications, George Brown College and a Director, The Empire Club of Canada.

Claude Lajeunesse

Good afternoon. I'd like to thank all of you—friends, colleagues and benefactors of the University—for coming today. Ryerson has an important role to play in the community and we appreciate being able to deliver our message in such a distinguished forum.

Let me begin with a brief story from academia. It's about Albert Einstein, who taught physics at Princeton University. Each year the questions he put on the students' final exam were exactly the same as they had been the year before.

Some of his colleagues became concerned about this approach. One took Einstein aside, and spoke to him firmly. "It's not the right way to make up a test," he told Einstein. "Some of the students will track down the best exam papers from last year."

"I don't think so," Einstein gently replied. "It's true my exam questions remain the same each year. But the answers are constantly changing."

For universities, the questions remain the same. But the times have changed and we must find new answers. In fact, my message is that today universities face unprecedented challenges and to succeed they must show they are fully accountable to students, society, business and government.

I will first look at the challenges universities face and then I will discuss the answers.

Universities face challenges

Today universities face unprecedented challenges that are shaking up older "Ivory Tower" attitudes.

To begin with, we face student expectations that have intensified because of a tough and uncertain job market. Traditionally higher education was the passport to success.

Today all that has changed and good jobs are harder to find. Last year the Toronto Star published a series of articles in which students expressed concern about being unemployed. That's a very real concern and universities have to take it seriously and respond.

The second broad challenge universities face is the need to open their doors widely and fairly.

It used to be that only the elite went to university. But the number of those graduating from Canadian universities has soared—from 1,000 at the beginning of this century to 124,000 in 1997. Today a university degree is necessary for a broad range of jobs. In fact, between 1990 and 1996, jobs for those without a degree or college diploma fell by almost a million while employment for those with post-secondary degrees increased by one and a half million.

Universities cannot simply educate the children of professionals. Less privileged and newer Canadians must have a reasonable expectation that their children can receive higher education.

The third challenge universities face is providing the top-quality talent Canada needs to compete in the twenty-first century. We must satisfy the demands of business, government and the voluntary sector for highly skilled knowledge workers.

The fourth challenge for universities is fiscal responsibility. The public purse is shrinking. Ontario's spending on higher education has been cut much more than outlays for hospitals or K-to-12 education. We must act responsibly in this environment of restraint.

Accountability of universities

Universities, as never before, must come down from their Ivory Tower and take up these challenges. I've been proud to lead Ryerson over the past three years and I believe we've made some forward steps. I'll use Ryerson to illustrate what needs to be done.

a. Accountability to students

First, universities must be accountable to students. If we are to meet their needs for meaningful employment, we must provide a high-quality, relevant education.

To deliver this high-quality education, universities must teach students to think, not simply to regurgitate factual information. The trend toward true/false testing must stop. Our goal must be to provide students with strong, well-developed critical thinking skills and the intellectual confidence to use them.

High-quality education also depends on talented and dedicated faculty and small classes. Most Ryerson professors know their students by name. And I'm very proud of our relatively small class size, particularly in the first and second year, when students need greater guidance. The numbers speak for themselves: 35 per cent of our first and second year courses have fewer than 25 students and 77 per cent have 50 or fewer students. This places us in the top quarter of mid-size universities in terms of class size.

University curricula must be regularly and rigorously assessed. A 1997 study by the Carnegie Foundation for the Advancement of Teaching argues that teaching should be evaluated with the same high standards that are used to judge research and scholarship.

At Ryerson University we're committed to such standards, which benefit students and professors alike. First, in programmes such as engineering, social work and nursing, we have a format assessment process. External assessors review the programme's content, administrative support, and student evaluations.

For all other programmes we have a Program of Review approved by our senate (academic council). Until two years ago, Ryerson like so many other universities, relied on "self-assessment." But our new comprehensive assessment strategy provides objective measures and feedback. All programmes are assessed every seven years.

There's another way universities need to be accountable to students: We must provide relevant programmes.

W.E.B. DuBois, an educator and black activist, discussed this social role of education: "The return from your work must be the satisfaction which that work brings you and the world's need of that work."

We like to think the "R" in Ryerson stands for relevance. The wide-ranging programmes at Ryerson University allow students to target particular careers. We see our students as future professionals and leaders in business and in the community.

Our mission statement underscores the relevance and practical nature of our programmes. It reads: The special mission of Ryerson Polytechnic University is the advancement of applied knowledge and research to address societal needs, and provide programmes of study that balance theory and application…"

The Centre for the Voluntary Sector Studies is a prime example of our mission in action. Begun by Agnes Meinhard and Mary Foster in 1995 in response to the significant changes to Canada's social system, the Centre has positioned itself as a leading resource for research and strategic planning in the voluntary sector.

The success of our students in the job market proves our relevance, Of all those graduating from Ryerson University, 93 per cent are employed within six months of graduating. The number is even higher in specialised areas. For example, within six months after graduation, a full 98 per cent of our business grads have jobs, as do 96 per cent of those in journalism, 94 per cent of those in fashion, and 100 per cent of those in nursing. The numbers are equally impressive for those in other Ryerson programmes.

b Accountability to a diverse society

Second, universities must be accountable to a diverse society. We must open our doors to all members of society.

Canada has more university-age people enrolled in higher education than does any other developed country. Unfortunately, today that commitment is being challenged by government cutbacks and higher tuition fees.

Today undergraduates who are forced to take out loans are leaving school with an average debt load of $17,000. We at Ryerson University are determined to increase the amount of financial aid targeted to those students who need assistance most.

We will also help our hard-pressed students by building our endowments. Canadian universities are far behind those in the United States in endowments. Brown University, for example, has an endowment of nearly $1 billion. Harvard's is over $10 billion.

Canadian universities must raise their endowments so they can help students and improve their facilities. Ryerson intends to.

c. Accountability to business and other employers

Third, universities must be accountable to business and other employers. If we are to provide knowledge workers for society, universities must respond to the needs of business, government and other employers.

This is no time for Ivory-Tower thinking. Our society sorely needs people who can use their minds and contribute to building the wealth of this nation. And that wealth will come from knowledge.

The excellence and relevance of Ryerson's programmes serve our economy well. We've hired and retained faculty with the expertise and reputation to deliver a quality education.

And we want to keep it that way. For every one of Ryerson University's 33 degree-granting programmes, we have a large group of outside advisors. We have 14 executives who advise us in our aerospace engineering programme, 17 in environmental health, 22 in retail management. And the list goes on.

Because we stay focused on the external world, our grads are very successful. In fact, you know some of them:

- Isadore Sharp, Chairman and CEO, Four Seasons Hotels and Resorts, who graduated from Ryerson University with Distinction in Architecture.
- Valarie Pringle, well known media executive and Co-host of Canada AM, graduated with Distinction from Ryerson's School of Radio and Television Arts.
- James Bullock, President and CEO of Laidlaw, graduated with Distinction from our Business Administration programme.
- Lida Baday, Canadian fashion designer with a worldwide reputation, graduated with Distinction from Ryerson's Fashion programme.

Am I making my point? Ryerson University has produced leaders in a broad range of areas and we will continue to do so.

No wonder we have enjoyed the support of the business community.

John Wetmore, President of IBM, has overseen a long-term relationship with Ryerson that has resulted in IBM's donating $3 million towards Ryerson's computer needs.

I am also grateful to the Eaton family, and particularly to John Craig Eaton, who not only donated funds for a Chair in Retailing but also raised $2 million for it. Naturally we call it the "Eaton Chair in Retail Studies." I'm thrilled John and Sally are here today.

I'm also pleased by our partnership with the Rogers Communications Group. Rogers has been a great partner in developing a wonderful facility—The Rogers

Communications Centre at Ryerson. It's the best in the country.

Ryerson owes so much to the business community, and we are deeply aware of the responsibility we have to deliver high-quality knowledge workers for the next century.

d. Accountability to government and taxpayers

Fourth, universities must be accountable to the fiscal demands of taxpayers, students and employees. We must steer a responsible course that balances conflicting demands.

Federal and provincial support for education has lessened. This change reflects the need of governments to get their fiscal houses in order after decades of overspending. No one suggests a return to the days of unbalanced budgets—when students may have received fuller support during university, but the national and provincial governments ran large deficits.

We must live with the new, more modest government outlays. But, having said that, we are painfully aware of the pressures that come from these new policies. Students end up bearing some of the burden of these changes—in the form of higher tuition fees. We are determined not to let these changes limit accessibility.

We are also determined that the salaries of our knowledge workers, our faculty and staff will remain competitive. A university flourishes because of the intellectual capital it brings together. Our faculty are the "keepers of the flame." We must recognise the contribution they make, and reward it.

At Ryerson University, our Board is doing an excellent job wrestling with these contradictory demands. We are looking for alternative sources of funding. And we're working closely with the business community and others on a variety of programmes. The Eaton Chair in Retail Studies is a stunning example of the support we have received from the business community. We are seeking partners to support our educational programmes, our research activities and our commitment to students who need financial aid.

Conclusion

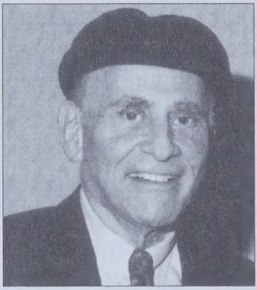
Let me conclude by restating my message: Universities today face unprecedented challenges, and can only succeed by being fully accountable to all stakeholders—students, the public, employers, government and taxpayers.

I began my speech by mentioning Einstein. Some days I think the challenges we face are no less difficult than devising the general theory of relativity. Universities occupy an important place in society. And we'll succeed only by seizing the opportunities our position provides. And by measuring up to our many responsibilities.

It's a difficult journey, and one that takes place well beyond the Ivory Tower. But it's an exciting journey. I look forward to the challenging years ahead.

I also look forward to building strong, richly rewarding relationships with all of you. Our commitment must be to refine the greatest natural resource Canada has: its human talent. I hope you'll join us in realising this goal.

The appreciation of the meeting was expressed by Ed Badovinac, Professor, Telecommunications, George Brown College and a Director, The Empire Club of Canada.



November 10, 1998

Peter C. Newman

Author

"TITANS: HOW THE NEW CANADIAN ESTABLISHMENT SEIZED POWER"

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Bart Mindszenthy, APR, Director, The Empire Club of Canada, Partner, Mindszenthy & Roberts and Communications Counsel; Rev. Phillip Bristow, St. Philips Anglican Church, Unionville; Grace Vela, Third Year Student, Oakwood Collegiate Institute; Kevin Hanson, Vice-President, Sales and Marketing, Penguin Canada; William D. Laidlaw, Second Vice-President, The Empire Club of Canada and a Director, Government Relations, Glaxo Wellcome Inc.; Julian Porter, Q.C., Special Partner, Gowling Strathy & Henderson; Michael Benedict, Editorial Director, New Ventures, Maclean's; and Ann Curran, Third Vice-President, The Empire Club of Canada and Partner, Lewis Companies Inc.

Introduction by George L. Cooke

It is my great pleasure today to introduce as our guest speaker, Peter Newman, author and one of Canada's most successful and honoured writers.

His writing has produced political profiles which include "Renegade in Power: The Diefenbaker Years" in 1963, and a study of

Lester Pearson, "The Distemper of Our Times" in 1968. His focus later turned to members of the Canadian business establishment, profiling the first generation of Canada's business magnates, then to publishing popular studies of those in financial power; these include his two-volume "The Canadian Establishment" (1975 and 1981), which has made publishing history, "The Bronfman Dynasty" (1978) and "The Establishment Man: A Portrait of Power" (1982). His books have sold a perhaps unprecedented one million copies in Canada.

At the front of the first volume of "The Canadian Establishment" you find the following quote: "I thought that my invincible power would hold the world captive, leaving me in a freedom undisturbed. Thus night and day I worked at the chain with huge fires and cruel hard strokes. When at last the work was done, I found that it held me in its grip" which must offer some insight into the character and personality of our guest.

Peter Charles Newman was born in Vienna, Austria on May 10, 1929. He came to Canada as a refugee in 1940. Envisaging a business career for his son, Peter Newman's father enrolled him in 1944 at Upper Canada College where he met members of the Canadian establishment who would later become the subjects of much of his writing. He received his B.A. from University of Toronto in 1950; and his M.Com. in 1954.

Peter Newman became a very recognised and respected name for me personally while growing up in a home that chose The Toronto Star over the competing papers and Maclean's over American transplants. Of course, he was the editor of both.

In 1969 he became Editor-in-Chief at The Toronto Star. He was Editor of Maclean's where for a decade (1971–1982) he worked to transform the magazine from a monthly to a weekly with a Canadian slant on international and national events. In 1982 he resigned to work on a three-volume history of the Hudson's Bay Co.

Mr. Newman's new book, "Titans: How the New Canadian Establishment Seized Power," has been billed as "a daring look at the world of Canada's mega-wealthy, all-powerful financial gunslingers—those Titans with an attitude—who govern our lives." In its first week, it is now #1 on the best-seller list—outstanding by any standard, but not surprising given the track record of the author.

Mr. Newman, welcome to The Empire Club of Canada.

Peter Newman

Thank you George. Good afternoon.

I'm often asked about the relationship between me and the establishment. I have a wonderful quote: "Anyone who doesn't feel paranoid about power is not in full possession of the facts." I try to be fair and accurate but I don't feel at all part of the establishment. I feel a little bit like a jester. The jester, if you remember from the Shakespearean plays, is a character of some wisdom and some importance, not in a mainstream way but as carriers to the court of uncomfortable truths disguised as quips and fables and I feel that that's my role in the establishment.

I remember my favourite review of my book by Time magazine. It praised my information and the last paragraph said: "Newman's book reads as if he was invited to the establishment homes once." It's my perfect epitaph.

Now when I write about power (and I want to stress this book is not about money; it's about power) I try to find an accurate definition of what power is. Think about it. It is a hard concept to define because it can be many things. My favourite definition is by Lord Bertram Russell, the British mathematician and philosopher, who said that power is the production of intended effects. It is a good definition because it means that if you're powerful and you want something done or vetoed you can do it. This is different from the influence journalists have. We have no power. We can't make things happen. We can create the atmosphere in which things happen by somebody else.

The establishment is not some woolly writer's fantasy or invention. It does exist and it has run this country for the last 50 years. It started during the Second World War when the so-called dollar-a-year men, who were the heads of most of the then successful Canadian companies, went to Ottawa to serve during the War. They turned Canada into an industrial power and at the end of the War they fanned out to run their own companies again but they had spent those five years together in Ottawa and that's what formed the establishment. I have been following their successors ever since.

The establishment used to be like the Olympic symbol. I don't know if you remember the Olympic symbol which is a bunch of circles that overlap. In the establishment, circles are formed around a particularly strong personality like Paul Demerais or Peter Munk or around a strong capital pool—and the circles overlap. That's what makes an establishment. There was never a conspiracy. Left-wing people always say the establishment was a conspiracy. It didn't need to be a conspiracy because the people in the establishment all thought alike or thought alike when they formed a psychological entity. A change has happened between the old establishment and the new one. Let me go into that a bit.

The old establishment which I described in my first volume had common sets of values, beliefs and enemies. The members touched and greeted each other across a wide spectrum of commonalty. They accepted, understood and protected each other as their contrails kept crossing in a long lifetime of command positions. They spent their whole lives in one big conference call. They all knew each other. They really had almost an ethereal kind of communication. They didn't even need to talk to one another to have the same attitudes. That has been shattered and this book is about the new establishment which has taken the place of the old one.

The leader of the old establishment was a very interesting character called Bud McDougald. I remember visiting his house for the first time and he showed me around his 35-car garage. He even had a car made entirely of tulip wood. A lot of people think that I get interviews with these people very easily but I don't and I want to just give you one example of how I got to Bud McDougald. McDougald was then in his sixties and he had never talked to a journalist in his life. Incidentally, he was the head of Argus Corporation which was the predecessor company to Conrad Black's Hollinger. I phoned him and I wrote to him and asked him for an interview and he said he didn't speak to journalists. And that was that. It was true. There were no clippings of him ever having talked to a journalist even though he was a very important industrialist at the time. He controlled companies worth about $1 billion. So I had lunch with his friends. I found out whom his friends were and I told them I was writing a book on the establishment. I wanted an interview with Bud McDougald but he wouldn't talk to me. I said I was going to write the book anyway and I was going to describe his ten-billion-dollar empire. Or sometimes I said a hundred-billion-dollar empire and they got very nervous of course. I knew that as soon as the lunch was over they'd be on the phone to McDougald saying that there was this crazy out there saying he was worth $100 billion and he had better do something about it.

It worked. Eventually he saw me and we had a real interview—quite a few of them actually. He had never talked to a journalist so when I asked him a question he answered it rather than acting like a politician who can talk all day about nothing. A favourite quote from McDougald, when I asked him about his education, was: "Well I left school at 14. I have regretted it all my life." I had an image of all the great facts that he had missed, great books that he had missed and he continued: "Yes, I have regretted it all my life. I should have left at 12." Of course McDougald was the guardian spirit and the animator of the Toronto Club. He really made it into a great club and incidentally it is the only club that still means anything. He explained to me once that he believed in committees but only committees of one and that he was running the Toronto Club, as indeed he was. He controlled who got in and who didn't.

There are a lot of wonderful club stories. The York Club used to be the private residence of Sir Albert Gooderham and Lady Gooderham. Lady Gooderham was a finicky lady who didn't like walking across the cold bare floor to the bathroom in the morning so he had two rails built so that she could push a button and a servant would come and fill her tub with hot water. The servant would then push a button on the tub and it would come up beside her bed. She would climb into the tub and push another button and it would go into the bathroom so she could have her bath. Well this was fine except that one day Sir Albert was showing some guests his house. They said they wanted to see the shortest railway in the world so he pushed a button and out came the hot bathtub with a screaming Lady Gooderham in it.

I realised how clubs had changed when I visited the Rideau Club recently in Ottawa. Now the *maitre d'* of the Rideau Club was always a retired colonel in the army with a bristling British moustache. The *maitre d'* in the Rideau Club today is (a) a woman, (b) black, and (c) a Grace Jones look-a-like. I think you can see what has happened to clubs. Belonging to clubs is not at all important and of course I exempt the Empire Club but the dining clubs that were once so exclusive are meaningless.

I have a wonderful anecdote about Red Wilson, the Chairman of BCE who was President of the Mount Royal Club in Montreal. He loved to smoke cigars so he invited the editor of Cigar Magazine from Brooklyn to give a speech to about 50 people who were all cigar smokers including the Governor General who had come there for the occasion. This speaker got it into his head somewhere that you addressed the Canadian Governor General not as Your Excellency but as Your Admirable and kept addressing him all night as Your Admirable. At the end of the dinner he gave a little speech with questions and the Governor General asked him a question. He said: "A lot of cigar smokers think that you should start the day with a small cigar and then work your way up and in the evening have a large cigar. What do you think?" And he said: "Well Your Admirable I will tell you I just light up one big mother fucker in the morning and it keeps me going all day." That's a true story.

In my book I detail the demise of 31 family dynasties and that is really the biggest shift in the establishment. Not just the Eatons, the Sutherlands, the Creeds, the Burtons, the Steinbergs, the Hermants, the Bassetts and so on. Of course there are still people with those names but they don't form any power matrix. They are just people who happen to have the same surname. With the demise of these family dynasties the establishment has changed forever. In a way it's too bad because I admired the old establishment for one point which was that the members really cared about the communities where they lived and worked. There was a kind of social conscience there that you don't get anymore. But it's gone. The old establishment is suffering a crisis of nerve and faith, a loss of the easy confidence that once marked its passage. The two main rules of maintaining power are forgotten. One is that power must be harvested as carefully as it is seeded and that any lead that fails to renew itself is bound for extinction.

The way I define the new establishment in "The Titans" is that the old establishment was a club and the new establishment is a network and that is the key—a network. Everybody now networks all the time, all day, and a network is very different from a club. A network is like a telephone exchange. Anybody can join. Anybody can hook into it and that's what happens. There's a big deal coming down and the companies involved, the titans involved, form an alliance. Very temporary, very strong for that deal and then they go on to something else. That's one of the characteristics of the new operators. They operate strictly on mutual self-interest. Long-term planning is next Wednesday's power breakfast. Their motto is simplicity itself, whatever works. They believe implicitly that it's never too late to have a happy childhood and that you should die young as late as possible.

They live for fun as much as for money and pursue both to the end of the universe. You are not judged by whom you are but by what you've done and that's very important because all that matters is what you've done. It doesn't matter whom your father was, what school you went to, what clubs you belong to or don't belong to. It's what you have done and what you've done yesterday or today or tomorrow. Instead of a pseudo-aristocracy we now have a genuine meritocracy. I think that's great news because it means that anybody can be a member of the establishment as long as you have chutzpah and talent and a record of having done something.

These are the kinds of guys who answer telephones while making love and actually one admitted to me that he had placed a call during that time but that's another story. One of my favourite characters in this book is a Calgary entrepreneur. I asked him for the definition of the establishment and he said if you have paid your debts in this town you're establishment. Another favourite character, Seymour Schulich, who gave $50 million to York University, said that reputation is character minus what you have been caught doing. Schulich is a wonderful guy. He is a Canadian from Montreal, from Mordecai Richler country, and he made a huge fortune in Nevada gold. He came back to Canada and decided to give away $50 million to start a business school and he had gone to McGill originally. He wanted to donate it to McGill to name a mining building after him, the Seymour Schulich mining faculty, but the university turned it down. Instead it got the money from a Chinese millionaire in Hong Kong. He then went to London, Ontario and wanted to donate the $50 million to a business school there. That university immediately panicked and persuaded the Iveys to donate the money for the Ivey Business School. He then went to the University of Toronto and offered the money. Finally York University accepted his $50 million.

In the book I trace the origins of the money culture. We live in a money culture now. It was 1996 or 1997 when for the first time Canadians earned more money from dividends, commissions, capital gains, rents and interest than from salaries or wages. We really have genuinely joined a money culture. I quote some of the far-out examples of how people in this book spend their money. I think my favourite example is Peter Nygard who is a Winnipeg clothing entrepreneur. He has built a house in the Bahamas that covers four acres, has a habitable area of 100,000 square feet and you have to drive a car from the living room to your bedroom. I have an image of somebody sleeping there at night, responding to a call of nature and having to say: "Damn it I've got to get into my car and go to the bathroom." He's got a sauna that holds 25 of his best naked friends and a miniature Matterhorn. He has got a rock factory. There are not too many rocks so he invented these plastic rocks that look very real and he has built a Matterhorn from which you dive into a pool and stuff like that. It's interesting because these people spend money the same way they live. It's on impulse; it's big. Everything is big; everything is bigger than everybody else's. They are in competition with each other, they have a very limited view of the world, a kind of a blinkered view of their own enterprise. They have very little loyalty to their country, even to their city. But they are extremely good at what they do. They are world players and they have taken this country into the global economy and they will take it into the 21st century.

It is interesting when you compare how the old money was spent and how the new money is spent. Old money drinks Glenfiddich scotch, vacations in Palm Beach, wears three-piece suits and believes in Tom D'Aquino. New money wears fancy belt buckles and iguana sandals, drinks Perrier and believes in Charles Darwin. Old money has hairy ears, wants to do its duty and plays polo. New money has pierced ears, is waiting for its cell phone implant, snowboards, bungy jumps and plays poker. New money tips lavishly and regards waiters as buddies. Old money tips with a dismissive wave and treats waiters as self-rappelled furniture. Both new money and old money prefer Cohiba cigars which were Castro's favourite until he gave up smoking in 1985. New money believes that the Cohiba cigars are actually rolled by dusty young Cuban maidens whereas old money just wants a great smoke. New money buys art. Old money buys artists.

There has been one interesting change I am happy to say in the wives of old money and new money. Old money tended to treat wives as sort of decorative partners. New money wants spirited women and has them and most of these women either work or do volunteer work and they are very impressive. I am sorry to say though that when I look at the power wielders in this country there are still very very few women. General Motors in Canada is headed by a woman as well as Ford and Xerox but when you look at those companies they're Canadian subsidiaries of giant American parents. These people don't really have ultimate power. Or they are companies like Heather Riesman's where the company is their own company. I am sad to say it is still true that most of the titans are men. I think the best definition of when equality will arrive is: "We will have true equality when we have as many incompetent women in positions of power as we have incompetent men." That may take some time.

Incidentally we are always worried about the economy and I think the government has got it all wrong. Everything is based on unemployment statistics and unemployment is going to rise. It is going to keep rising for the simple reason that statistics don't include people who don't have jobs. And that's the future. There will be fewer and fewer jobs but there will be lots of work. We have to differentiate between jobs and work. You have to go all the way back in history to the builders of the original cathedrals. There was no such person as a cathedral builder. There were carpenters who built the pews and glaziers who put in the glass and stonemasons who built the walls and the ring people who made the bells. And then they would move on. That's the future. We have to start thinking in terms of work and our people who are at university now are going to be trained and they are going to be trained to work. The idea of getting out of university and 20 years later getting a gold watch from your company is dead.

I have already mentioned philanthropy and philanthropy is a way that the titans, the new establishment, gets legitimacy because yes, they have money, yes, they have power, but they still want that legitimacy in their communities. And they do it by giving money away as long as it is tax deductible. And I don't put that down. I'm glad that they are there and they are putting up buildings with their names on them.

I was once for some reason assigned by Time magazine to report on Billy Graham's first Toronto crusade, the first time that he was in Canada. Since I was working for Time I was allowed back stage after the first evening. They had had a wonderfully successful evening. More people came up and declared for Christ than ever before at any first night. But there was no money. The collection plates were passed and they got a bit of change. So Graham called me over as the only Canadian behind the scenes and he said: "What's happened here?" And I said: "Well Billy, you are in Canada now. And even when people are saving their souls they want to be sure it's tax deductible. And you didn't announce that it was going to be tax deductible." So he said: "Bless you brother." And the next night the money rolled in when it was announced that donations were tax deductible.

Another motivation of course is that these people who donate their money want some immortality and the only way they can get it is to have buildings with their names on them. Again I see nothing wrong with that although I much prefer Woody Allen's definition of immortality. He was once asked by a very eager young interviewer whether he hoped to achieve immortality through his films and Woody Allen said: "Hell no, I want to achieve immortality by never dying."

The real mark of the titan is global outlook. Peter Munk has gone to London permanently. He is expanding his empire from there. Izzy Sharpe has 60 of the world's best luxury hotels but only two in Canada. Gerry Schwartz has only one major asset here. Jimmy Pattison is expanding almost entirely in the United States. Frank Stronach is a tax exile in Switzerland. Paul Demerais now has assets of $100 billion in Europe and so on.

The new establishment is going to create a big problem for Canada. I am talking here about tax havens and tax bases because a lot of these people manufacture their goods in one country, distribute or sell their goods in another country, invest their profits in a third country and live in a fourth country or have a domicile in a fourth country. So where is the tax base? How is the Canadian government going to be able to tax those enterprises as governments do have to have a tax base. They have got to have enough money to build hospitals and schools and some kind of defence force etc. This is going to be a great problem because money that goes into tax havens is going to be just about impossible to tax. And the tax havens are getting much more sophisticated. There's one tax haven called the Seychelles. They are islands off Madagascar in the Indian Ocean and not only do they attract tax avoiders but they encourage people to come who want to launder money. The most interesting tax haven is the Cayman Islands. It has a population of only 25,000 but is the world's fourth-largest financial centre. There are 550 banks on this little island 32 kilometres long because of course there are no taxes. The only daily paper in the Caymans incidentally is the Cayman

Compass which has a regular column on teaching your parrot to talk and guess who owns it? Conrad Black.

I want to say a few words about Conrad because he's such a character. He is probably the only royalty we have left in the Canadian establishment. When he travels, a cook and butler proceed him to show that he and Barbara have every comfort. He has become a metaphor. Being Conrad Black is no longer a name but an occupation. He has more power than most heads of state. Since 1985 he has bought 300 newspapers and now has the third-largest media chain in the world with revenues of $3 billion. I don't know if you remember in 1997 in the fall issue of the "Moderator" the United Church cast some doubt on whether Jesus Christ was really divine. It was a theological argument of some subtlety and some complexity but it prompted Double Exposure, the comedy team, to pick up the cue and they said: "Great news. Conrad is back in the running." Conrad is such an intimidating presence that even his absence intimidates. There was a meeting of the CIBC Board of Directors once when he was applying for a loan and when a director of a bank wants to borrow money from his own bank the director always leaves the room. And somebody who was in the room told me that the room reverberated with Conrad's absence. He has the body language of a puma in heat. I interviewed his spiritual advisor Cardinal Carter who suggested to me in the book that Conrad should really have been Jewish. He is very articulate, very interesting, very intelligent and while there is potential for abuse in his owning so many papers I don't at the moment perceive what that abuse should be except for him to express his opinion which is why people own newspapers anyway.

A lot of other interesting people are in my book—Pete Munk for example who is a great actor. You could auction his smile at Sotheby's. I remember he is always mad at the press. I remember him phoning me once. This was a couple of years ago when he topped the Canadian salary total for CEOs and he was head of Barrick then. It was published that he had made $32 million and this was the biggest payoff in Canada. He phoned me and said: "Did you see that goddam story in the Globe and Mail where I made $32 million? They always get everything wrong. I made $54 million."

To be more serious about the titans, they are really setting the agenda for this country—the economic and social agenda. I have a chapter on the BCNI (Business Counsel on National Issues) which comprises 150 of Canada's largest companies and they have sales of $1.7 trillion. Through Tom D'Aquino, their CEO, (this is all documented in the book including D'Aquino's words) they have set the agenda for the government during the Mulroney years and during the Chretien years. And that includes free trade, the anti-deficit fight, the Calgary declaration and most seriously the Competition Bill. This is the anti-monopoly bill which should be what holds business back and D'Aquino actually persuaded the Minister of Consumer Affairs to let him write the bill. So we are now the only country in the world where the anti-monopoly legislation has been written by the very people it was meant to police. It's scary.

Let me end with a look at Bay Street where we are now. In my book I called Bay Street Canada's "eleventh province" and it is more powerful than all the others put together. If you include derivatives and bonds, $100 billion changes hands every 24 hours in these 20 blocks where we now are. The markets turn according to the dictates of the chief traders of the big brokerages called the "big swinging dicks." They all wear red suspenders which is why I have these on and why the red suspenders are on the jacket of the book. Half the Canadian financial institutions are in these 20 blocks. The stock market used to be thought of as a casino but that's no longer true because casinos have rules and the stock market doesn't. It's a crapshoot. But it is also a true meritocracy. The race is to the swift; not the well born, properly schooled, or decently acquainted. The role model of many of these traders is Mike Millikan; not the Mike Millikan who went to jail but the Mike Millikan who invented junk bonds and several instruments of finance. Mike Millikan is the ultimate workaholic. He used to live in New Jersey taking the bus to New York every day so he could spend his time in the dark morning hours reading. He had a coal miner's lamp mounted on his head and he could read documents on his way to work. He was bald and had 30 toupees with different lengths of hair so it looked as if his hair was growing for a month. He then started all over again. I don't see anything wrong with that myself. A Wall Street novelist once said that to succeed you need the chutzpah of a used car salesman, the moral sensitivity of a stone crab and a line of credit. I'm not sure that that's true but that's Wall Street.

I want to finish talking not about my book but about my country. You know we are 13 months from the millennium now and the new century will energise us. It will give us a new start. There is nothing as hopeful as having a new start. Everything will be dated from that night. It will be a great time to be alive. And I believe that it is time to sing some songs in praise of this country and in praise of ourselves. A lot of people think that in another Quebec election maybe Quebeckers will leave. They won't leave. There's a quiver of common intent in this country to stay together. To be Canadian is better than to be anything else. To be a Canadian is an act of faith and we will fulfil that faith.

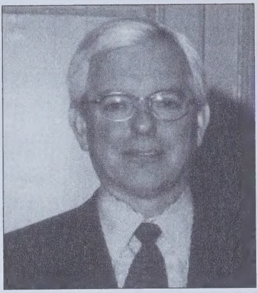
Let me finish with a story. I was in New Brunswick once covering a by-election. When a reporter goes into a place he has never been he tries to find someone who looks as though he has been around for a while. I saw a fisherman puffing his pipe at a wharf and I went up to him to start a conversation. I said: "Have you lived here all your life?"

And his answer reflected the quiet optimism I feel about Canada. He said: "No, not yet."

Thank you very much.

The appreciation of the meeting was expressed by William D. Laidlaw, Second Vice-President, The Empire Club of Canada and a Director, Government Relations, Glaxo Wellcome Inc.

Peter C. Newman, Author and Willis L. Blair, Secretary, The Empire Club of Canada.



November 12, 1998

Dr. Bill Orovan

President, Ontario Medical Association

HEALTH CARE: WE CAN'T GO ON LIKE THIS. IS THERE A WAY OUT OF OUR HEALTH-CARE DILEMMA?

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Ann Curran, Partner, Lewis Companies Inc. and a Director, The Empire Club of Canada; Reverend Christopher King, Rector, Little Trinity Anglican Church; Gavin Hefferman, OAC Student, Forest Hill Collegiate Institute; Dr. John Bonn, Registrar, College of Physicians and Surgeons; Dr. Lesia Wynnychuk, Board Member, Canadian Medical Association and Board Member, Ontario Medical Association; David Pattenden, CEO, Ontario Medical Association; John Dunton, Regional Manager, South Western Ontario, MD Management; Julie Hannaford, Partner, Borden & Elliot, Chair, Bloorview Children's Hospital Foundation and a Past President, The Empire Club of Canada; David MacKinnon, President, Ontario Hospital Association; Carol Jacobson, Chair, Ontario Health Providers Alliance; and Catherine Steele, Vice-President (Toronto) and Partner, Gervais Gagnon Covington & Associates and a Director, The Empire Club of Canada.

Introduction by George L. Cooke

It is my pleasure to introduce as our guest speaker today, Dr. William Orovan, President of the Ontario Medical Association.

The Ontario Medical Association represents the political, clinical and economic interests of the province's medical profession—about 24,000 doctors—which is almost half of the number of doctors in Canada. The Association was founded in 1880 and has played a vital role in the development and promotion of health-care services across Ontario.

As well as his position as President of the OMA, Dr. Orovan has served in many key roles which include Clinical Professor of Surgery at McMaster University; at St. Joseph's Hospital in Hamilton, Senior Consultant of Medical Affairs, Chief of Staff, and Chief, Department of Surgery; at the Hamilton Regional Cancer Centre, Senior Consultant and Chief, Urological Oncology.

Dr. Orovan completed his M.D. at McMaster University in 1975 and continued there with his residency training. He has received several awards including Recognition Award for Outstanding Contribution to the Community from Hamilton and District Chamber of Commerce, Excellence in Quality Management of Medical Care Award from The College of Physicians and Surgeons of Ontario, and Distinguished Services Award from the Hamilton Academy of Medicine.

Health-care issues are current, relevant and important. Canada is likely fast approaching critical decisions as to how quality health care will be maintained. Our speaker today will almost certainly be a significant participant.

Dr. Orovan, welcome to The Empire Club of Canada.

Bill Orovan

I want to thank the Empire Club for this opportunity to talk about what is clearly the most troublesome issue on the minds of Canadians today—their health-care system. While issues such as the dollar, economic confidence, job creation, education and a host of other important concerns register on Canadian public opinion with varying intensity, very few have as much resonance as health care; virtually none as much relevance to people's lives.

I'm sure you will agree, that not since health care was put on the national agenda by Tommy Douglas some 35 years ago have we, as Canadians and care givers, seen such extensive and rapid change to our health-care system as we have in the past few years. And, I'd suggest that because of this there has never been as much anxiety about the future of our health-care system as there is today. What we see, read and hear today is a cacophony of voices, more often about chaos than confidence, more often about crisis rather than competence. What we are more likely to witness is pointing fingers rather than helping hands, and rhetoric as opposed to solid debate. As a result, many Canadians feel the health-care system has become unanchored, that it has lost its compass. And most important, we feel it has lost its vision as to where we go, about what we should do next, and we worry about the leadership that is necessary to get us there.

I do not intend to be one who adds but another discordant voice to the many. And I can tell you that as president of the largest provincial medical group in Canada, our doctors do not intend to do so either. I am here to tell you it is time to change the channel instead of merely turning up the volume. I say this because we're now at a critical juncture where each and every stakeholder must join this debate or risk the loss of something that we as Canadians perceive as fundamental to not only our well-being, but also our own being. What ails the health-care system today is a lack of leadership. What ails the debate is a lack of partnership. And what ails the confidence that Canadians have in their health-care system is a lack of certainty.

- A lack of certainty in what the health-care transformation will mean to them for the future.
- A lack of certainty regarding such fundamental principles as accessibility to quality care.
- And a lack of certainty as to the kind of health-care system that will be there for them when they need it.

I am here to tell you today, on behalf of my constituency what we intend to do to get this issue moving forward. The Ontario Medical Association and our national partner, the Canadian Medical Association, as well as the Ontario Hospital Association have spoken out in the past about these issues. We have acknowledged the need to shape the evolving debate on finding innovative solutions to our health-care dilemma. But this clearly hasn't been enough. We are now at a critical juncture and as the title of my remarks indicate: "We simply cannot carry on like this."

I personally experience the difficulties of our system every day as a practicing surgeon who has to make crucial decisions about patient care. I, my colleagues and our patients know firsthand why the latest Angus Reid poll confirms the number-one issue in the country today is health care.

There is no one cause for this crisis in health care. We have all been part of the problem. Governments tend to deal with the health crisis of the day. As stakeholders, we have tended to look at the immediate needs of our own worlds. My profession itself isn't blameless in this regard. The challenge now is for all of us to be part of the solution. But in order to do so, we must challenge some fundamental assumptions that we share, and find a common platform for focused discussion.

To begin with, discussion among Canadians about health care is based on the widely held belief that we have the best health-care system in the world. But what if that is not true anymore? As a matter of fact, I believe it is not true anymore.

Ask the people who were being driven around Toronto recently in ambulances looking for an emergency room with an empty bed. Ask them whether we have the best system in the world.

Ask patients who have waited six months, 12 months, 18 months for a new hip. Ask them if we have the best health-care system in the world.

For those who must wait anxiously for brain surgery, psychiatric care, dialysis treatment, or heart treatment, for those who are put on a three-month waiting list for an MRI scan when they could drive to Buffalo with VISA card in hand and have it in a day. Ask them if we have the best health-care system in the world.

Is it acceptable that elderly patients may wait one or even two years for cataract surgery? Is it acceptable that women with breast cancer can wait 13 weeks or more for access to definitive treatment? Ask them if we have the best health-care system in the world.

Yet, despite these harsh realities we remain the envy of many world communities, some of whom have taken the best parts of our system and adapted many of our practices to their own circumstances, making it better and easier for people in their countries to get the treatment they need. To many of those governments, health-care delivery is an evolutionary process of continually adapting to new circumstances and integrating new medical and structural innovations.

In fact today as I speak there are debates taking place on health-care reform, how to do it better, and how to find new and innovative solutions to existing circumstances in many other countries including Germany, France, Britain, Holland and Sweden. And so we would not be alone in having a nation embroiled in a discussion about health care. It is critical that now we, as a nation, have the courage to put aside our vested interests and prepare for some very tough choices that will be inevitable in the near future.

I say that the time has come when we are compelled to confront this issue and get on with the job of solving rather than dwelling on our problems. We must begin somewhere. And that somewhere is, in my view, with one of the greatest hindrances to finding solutions or in even having a rational debate about our health-care system. That somewhere is the Canada Health Act.

If there is to be a common, national platform where we can begin anew, it must begin here. We've had this Canada Health Act since 1984. It enshrines the principles of today's medicare system. Since that time, not once, not once has it been openly re-examined to see whether the legislation still applies to today's changed realities in health care.

These are the realities: We are in an underfunding crisis. We suffer from a crisis of confidence among the very people who need the system. A system governed by an outmoded Canada Health Act.

Compared to 15 years ago we are working with very different medical approaches, very different health-care delivery systems, and very different demands.

Fifteen years ago CAT scans were in their infancy; magnetic resonance imaging machines and advanced ultrasound didn't exist.

Fifteen years ago we didn't have the sophisticated and very expensive drugs we now have for cardiac care and other uses.

Fifteen years ago we didn't have extensive screening and prevention programmes such as routine mammography, cholesterol testing, screening for prostate cancer, and, of course, the ever-expanding world of genetic research.

It is a fact that changes to our health-care system have moved beyond the increasingly narrow framework of the Canada Health Act.

Patient needs have also grown and changed dramatically since the introduction of the Canada Health Act. An aging population means a greater impact of certain diseases like heart disease and stroke, hypertension and chronic conditions such as diabetes, Alzheimer's and others where new and very different treatments are required.

While some governments can say they are spending more on health care, now, more than ever, it is apparent that they are not keeping pace with these new and escalating demands placed on the medical system. And these demands are about to increase dramatically.

We have an aging population that is bearing down on us, the baby boomers, who will make our current problems pale in comparison. The reality is that there are more people over the age of 60 than under the age of fifteen in this country right now.

The latest projections show that the 65-and-over age group will triple again over the next 30 years. By the year 2030, persons aged 65 and older will represent 23 per cent of the entire Canadian population.

In the province of Ontario, we add 2,000 additional seniors to the health-care system every month. We know that patients in their seventies need four times as many dollars for health care annually than do those in their thirties.

Clearly, the demographics of today are dramatically different from the demographics of 1984 when the Canada Health Act was proclaimed. So we know, without any fancy modelling forecasts, that the per-capita spending that we have right now will simply not do once the baby boomers reach their sixties and seventies. This reality raises a question: Is the Canada Health Act constructed in such a way that it can help respond to and resolve these current and impending issues? Does it allow us to keep pace with changes in health-care delivery? The concise answer is no.

Few recall now that the original impetus behind the Canada Health Act was less about health and more about money. Its principal objectives were to ban extra-billing, user charges and set uniform standards across the country. At the same time, it irrevocably linked provincial delivery of health care to federal government transfer payments. But then Ottawa's money started to run out, provincial needs began to change and patients got caught in the middle with longer waiting times and decreased access to care.

The inherent difficulty is that the Canada Health Act places obligations and requirements on provincial providers but does not require the federal government to provide adequate funding to meet these obligations. As an example, we've had $7.5 billion extracted by the federal government from national health-care funding over the past three years. And about three billion of that, at least, should have been destined for Ontario. That's why today, the federal cash payment for health-care delivery in Ontario is 9 per cent, or nine cents on the dollar, compared to 50 cents on the dollar in the mid 1960s when medicare was first introduced.

By severely restricting the nature of health-care delivery by the provinces and using the hammer of reduced federal transfer payments, the Canada Health Act directly and indirectly has been a barrier to the quality of health care that we, as doctors, can deliver to our patients. The Canada Health Act has stifled innovation, experimentation, and flexibility in creating both better alternate delivery methods and funding options.

In the process of its development, the Canada Health Act formalised a whole new vocabulary about health care in Canada: the five principles of the Act. You know them very well: universality; accessibility; portability; comprehensiveness; and public administration.

But what about quality? Quality is not one of the principles of the Canada Health Act. Yet quality is at the very core of what we, as physicians or any other health-care provider, practice each and every day on behalf of our patients. The issue of quality and quality standards should be paramount in any national health-care discussion.

And what about accountability? Physicians are accountable not only to their patients but also to their peers and, financially, to their government payors. Patients, on the other hand, face no accountability. In fact, patient accountability is forbidden by the Act. This, we believe, stymies innovative approaches to health-care delivery such as reform of our primary care system. We will only have true reform when the Canada Health Act allows an appropriate balance of accountability for doctors AND patients.

In truth, the five principles of the Act are not now being fulfilled and instead of facilitating health-care delivery, they are hindering it.

Let's look at accessibility. As I mentioned earlier, accessibility is clearly a critical problem yet the term is never adequately defined under the Act. This crisis in accessibility is symptomatic of a system not keeping pace with growing demands.

The Act also speaks about providing medically necessary services, but never defines what these might be. We know that standards of insured services differ significantly across the country. We need to look to a common and agreed-upon definition of what it means when we say medically necessary.

But perhaps the most fundamental barrier posed by the Canada Health Act relates to funding.

We need to answer these basic questions:

- Where are the new dollars needed to fund health care in Canada to come from?
- What do we want as Canadians?
- Do we want to pay ever more taxes to fund our health-care system?
- Or, do we want to look at a system with mixed public and non-public funding?
- And if we want a mix, what should that ratio be?

If you look at OECD countries, we are right in the middle of the 29 member states in the percentage of private expenditures versus public expenditures on health care.

Here in Canada, we have about 31-per-cent private funding. We have no difficulty in Canada spending private money on health care—things like prescription drugs, rehabilitation services, private and semi-private care, ambulance services, and extra duty nurses, for example.

Where we are totally outside the OECD range is in the area of acute care, hospital services and doctors' services. Ninety per cent of the funding for acute care in Canada is public. This level puts us in the extreme compared to the other countries.

I believe Canadians would feel very comfortable living with the values of many of these other OECD countries. I'm thinking for instance of Australia and New Zealand and those I mentioned earlier. They fund health care, particularly acute health care, very differently. They look very much to other sources of funding; private sources for some acute care services. Such actions are currently prohibited by the universality provisions of the Canada Health Act.

It seems to me that any time someone contemplates a new way of funding acute care, we immediately look at the United States and say: "We're not going down that road." I think that accusation is scare-mongering. It ignores the historically proven fact that we can have a made-in-Canada health-care system.

The problem is that our Canadian system is now dominated by a myth. The myth is that we have a totally public-funded system. This myth should be laid to rest. There has been a slow but steady increase in the private sector's share of total health expenditures. It was already almost 25 per cent when the Canada Health Act was passed in 1984 and now, as I mentioned, is more than 31 per cent. This is private funding spent on health care in Canada. On top of that, Canadians spend at least $1 billion a year to receive care in the United States.

I have no doubt that, as Canadians, we can design something that improves what we have without compromising our most basic principles.

To do that, we must have a starting point. Nationally, as I've said, we must begin with the foundation that must frame the debate—the Canada Health Act. And upon that platform we must bring stakeholders together and, in a very deliberate way, ask serious questions in a serious forum.

We need to ask these questions:

- What exactly do we mean by quality health care and how do we measure it?
- What is a realistic national standard on accessibility?
- What is medically necessary?
- How much money is needed for our health-care system and, most importantly, where will it come from?
- What rights and expectations do patients have?
- And, perhaps as importantly, what responsibilities do they have for their own health in a publicly funded system?

We also need to ask:

- What do we mean by public accountability and how should we measure and report it?

If we do not have the courage to challenge the Canada Health Act and address these important questions now, then we betray our position of leadership and our responsibility to both our patients and our society.

That's why, within the next several months the Ontario Medical Association will convene a summit of health-care stakeholders to discuss the appropriateness of the Canada Health Act. We will discuss how it hinders our ability to build a system that allows us to keep pace with the growth in demand for health-care services. We will announce details of the summit within the near future.

The time has come to lead, to put patients first, and to begin to forge a proper and far-reaching national debate. This will I hope begin here in Ontario and be taken up by the Canadian Medical Association on a national scale.

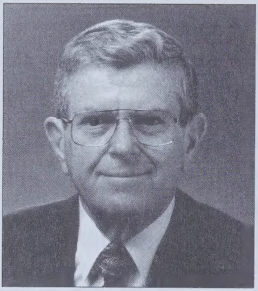
And so, ladies and gentlemen, let me conclude with some final thoughts. The debate ahead is surely not an easy one for any of us to contemplate because it challenges what defines us as Canadians. If a fundamental cornerstone of our society such as health-care changes, it changes who we are. And, if "who we are" is no longer financially sustainable, then it is obviously time for a serious debate.

Surely, as Canadians, we can restore that confidence not only in our health-care system, which distinguishes us as world citizens, but also in our own ability to forge consensus about a fundamental cornerstone of our collective consciousness. As Sir Winston Churchill said: "I never worry about action, but only about inaction." The time has come for action on the Canada Health Act.

I urge all of you here today, as business leaders and as community leaders, but also as parents, as sons or daughters, as brothers or sisters, as friends, and ultimately as patients, to join us in taking this issue forward into the next century.

Thank you very much.

The appreciation of the meeting was expressed by Ann Curran, Partner, Lewis Companies Inc. and a Director, The Empire Club of Canada.



November 19, 1998

L. David Caplan

Chairman and CEO, Pratt & Whitney Canada

CANADA'S ECONOMY BEYOND THE YEAR 2000

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Duncan N.R. Jackman, Managing Director, Fulcrum Investment Corporation and a Director, The Empire Club of Canada; Donald C. Lowe, Chairman, Sedgwick Ltd. and Vice-Chairman, Magellan Aerospace; Yuri Chumack, OAC Student, Humberside Collegiate Institute; The Reverend Vic Reigel, Christ Church, Brampton; Hazel McCallion, Mayor, City of Mississauga; Peter Smith, President and CEO, Aerospace Industries Association of Canada; John Clappison, Regional Senior Partner, Metro Toronto, Pricewaterhouse Coopers; Peter Pauly, Professor, Economics and Business Economics and Associate Dean, Joseph L. Rotman School of Management; Andre Hidi, Co-Chief Executive Officer, Saloman Smith Barney Canada; and Kenneth B. Rotman, Co-President and Managing Director, Clairvest Group Inc. and a Director, The Empire Club of Canada.

Introduction by George L. Cooke

The Empire Club is pleased to welcome as guest speaker today, Mr. David Caplan. Mr. Caplan is Chairman and CEO of Pratt & Whitney

Canada, a Canadian corporation and a subsidiary of United Technologies Corporation of Hartford, Connecticut.

Pratt & Whitney was founded in 1928 by Montreal businessman James Young and today is one of the largest members of Canada's aerospace community and the world's leader in its class in the design, development and production of gas turbine engines.

The company is the second-largest private investor in research and development in Canada. Pratt & Whitney employs more than 9000 people in four Canadian provinces (Quebec, Ontario, Nova Scotia and Alberta).

Mr. Caplan was born in Montreal. He obtained his Bachelor of Commerce from McGill University in 1961 and became a Chartered Accountant in 1963. He articled for Riddell, Stead & Co., Chartered Accountants, from 1961 to 1964. He joined Pratt & Whitney Canada in 1964 where he has been involved in increasingly important finance and management functions. He was named Vice-President, Finance and Administration in 1976, Executive Vice-President in 1980, President and CEO in 1984, and has been their Chairman and CEO since July 1994. Additionally in 1994 he was recipient of the Canadian Aeronautics and Space Institute C.D. Howe Award. Mr. Caplan will outline his perspective as to Canada's economic prospects and priorities for the next millennium, making the case for a greater focus on the knowledge-based industries that will help distinguish successful nations from also-rans.

Mr. Caplan, welcome to The Empire Club of Canada.

David Caplan

I'm honoured and pleased by the opportunity to address such a distinguished audience and I hope to utilise this venerable Empire Club podium to spark some meaningful dialogue about Canada's future economic prospects.

The theme of my remarks today, as advertised, is "Canada's Economy Beyond the Year 2000." Given the recent volatility of stock markets, the depressed Canadian dollar and the financial world in general, a more prudent choice of topic might have been "Canada's economy next week." Nevertheless, I intend to adhere to my original script and share some views about where I think we're headed—or more to the point—where we ought to be headed, as Canada approaches the threshold of a new millennium.

The turbulence and uncertainty clouding the near-term outlook serve only to underscore the key issue I wish to raise regarding our economic prospects for the next century, namely, the urgent need for Canada to continue to become less dependent on commodities and better-known for its world-class technology and know-how.

It's true that—at roughly 35 per cent—commodities account for a much smaller share of Canada's overall exports than they once did. However, we still rely on a sizable surplus in the commodities category to offset our habitual deficits in the trade of services—a fact not lost on the international financial community. Like it or not, Canadians still tend to be tagged with the "h" word, as in hewers of wood. Along with the Scandinavians and Australians, we are perceived as being overly dependent on exports of commodities—a view reflected rather vividly these days in the depressed value of the Canadian dollar.

The fact of the matter is that the slump in global commodity markets, magnified by the Asian crisis, has severely affected Canada's recent GDP performance. In fact deflation in commodity prices has been a reality for nearly two decades. And judging by the anemic economic numbers we're seeing of late, it's evident that our knowledge-based and high-tech sectors simply don't have sufficient critical mass to make up the shortfall even though our biggest customer for manufactured goods, the U.S., is still growing.

Canada has already been teetering on the edge of recession, recording four consecutive months of negative growth through the summer. The economy regained some vigour in the most recent period, but I think there is a general consensus that we are headed for a slow-down. Indeed, the possibility, if not probability of an outright recession in the next 24 months is greater today than was anticipated just a few months ago.

At any rate, the recent deterioration in business conditions gives companies and countries alike cause to review their strategies. And, frankly, looking further down the road, I see a continuing strategy of over-reliance on commodity exports becoming even more of a problem for Canada in the knowledge-based global economy of the new millennium. More and more of the world's commodity needs will be satisfied by third-world countries as well as Russia.

The world we'll see as the new millennium unfolds is going to look very different from the one we know today—especially in terms of the division of wealth. As Canadians, we belong to the fortunate 14 per cent of the world's population that live in industrialised countries and control 76 per cent of the world's wealth. But over the next 20 years or so, when those troubled Asian tigers regain their teeth—as they surely will—and the economic development of Russia, China and India accelerates, there is going to be a significant shift of purchasing power to emerging economies.

Today, world GDP is about $30 trillion. According to DRI, a respected U.S. economic forecast group, it will increase to $107 trillion by 2017. What is more interesting is that 20 years from now, more than half of the world output will be produced by today's emerging countries, up from less than 25 per cent currently. Over the next two decades, several billion people who currently bear the "have not" tag in terms of economic status will become consumers of the products and services that will still come mainly from industrialised nations. I know this scenario may appear to be premature, but those estimates are supported by demographics, technology and strong fundamental trends.

Here is another interesting take on the DRI study.

Some 80 per cent of today's world GDP has been generated since World War II. It took us 50 years to get to the current $30 trillion. During the next 20 years, we will add $77 trillion to world output—over three times the total wealth created over the last half century. This unprecedented growth will bring huge opportunities in manufacturing and high-tech exports, a sector that usually creates the best jobs.

From a strategic perspective, countries wanting to be key players in this new era of wealth-creation should be taking steps now to ensure they have the appropriate policies and strategies in place. In Canada's case, I would suggest that entails putting a greater focus on the knowledge-based, advanced technology industries which will help distinguish successful, industrialised nations from also-rans in the new world order beyond the year 2000. As the Conference Board of Canada concluded in a major report a year or so back, "Innovation is the only means by which a high-wage economy can sustain its competitiveness and ensure growth and employment."

Speaking of advanced technology industries, it might be appropriate at this point to give you a brief sketch of my own company so that you know where I'm coming from. Pratt & Whitney Canada is part of Hartford-based United Technologies Corporation. UTC's businesses include Pratt & Whitney's U.S. operations, which produce engines for military aircraft such as the F-15 and F-16 fighters and for large commercial jets such as the Boeing 747, 777 and Airbus aircraft. Other members of the UTC corporate family include Otis Elevators, Carrier Air Conditioning, Sikorsky Helicopters, UT Automotive and Hamilton Standard.

Our Canadian roots go back 70 years to 1928, when the company was founded to provide support services for U.S.-built Pratt & Whitney engines. In 1951, the Canadian unit began to manufacture piston engines under license, a typical branch-plant arrangement. Then, in the late 1950s, Pratt & Whitney Canada launched its own gas turbine, design-and-development programme that resulted in the PT6 turboprop—the company's first family of homegrown turbine engines.

The rest, as they say, is history. With some 9,500 employees worldwide—including 1,000 at our facility in Mississauga—Pratt & Whitney Canada is now the world's leading manufacturer of small and medium-size gas turbine engines for the aviation industry. We have a unique world-product mandate to design, develop, manufacture, market and support engines for business aircraft, helicopters, regional transports, military trainers and utility aircraft. Since 1964, we have delivered more than 45,000 engines and it is estimated that every two seconds an aircraft fitted with Pratt & Whitney Canada engines takes off somewhere in the world.

Pratt & Whitney Canada has become the global market leader, with a 30-per-cent-plus share in the sectors where we compete, against giants the likes of General Electric, Rolls Royce, Allied Signal and others. Despite the fact that practically every engine we compete against is heavily subsidised through government ownership or military procurement to a degree simply not attainable in Canada, we have managed to more than double our worldwide market share since the mid-80s.

Our success going up against the world's best in a very tough business can be directly attributed to our sustained commitment to research and development. Over the past decade, we have invested nearly $2.5 billion in R&D at our facilities in Quebec and Ontario. Investments of that magnitude make us the R&D leader in Canadian aerospace and we rank second only to Nortel among all Canadian companies in R&D spending.

Pratt & Whitney Canada's 1997 and 1998 R&D expenditures of over $400 million per year equated to more than 20 per cent of sales—double the norm in our industry and far above the 1.5-per-cent average for Canadian manufacturers. Looking at things from another perspective, our company last year accounted for almost one-third of the Canadian aerospace industry's total investment—and over 4 per cent of all private R&D investment in Canada. So, to use the vernacular, we do put our money where our mouth is when it comes to preaching the virtues of R&D.

Although we plan to reduce our R&D efforts somewhat in coming years, we expect our R&D investment will be about 15 per cent of sales on average, still well above the norm for our industry. However, like other members of the aerospace industry, we will not be able to sustain investments of that magnitude indefinitely without an appropriate level of government participation. That is why the aerospace industry has been calling for an increase in government repayable investment—a need that has grown increasingly urgent. I said repayable because the entire participation of the Canadian government in the Technology Partnerships Canada programme is repayable through royalties. In fact, without any further investments by government in R&D projects, we would still be committed to repaying government for its past contributions for the next 15 to 25 years. These payments are in the form of royalties that will continue for the entire life of the engine production programmes. Government partnership remains critical to the long-term success of our industry in Canada. Without it, we will not be able to compete on a level playing field with U.S., Europe and other countries. That will inevitably push one of Canada's major high-tech sectors into decline, at least in terms of R&D investment as well as value-added work, a reality we are already experiencing in the aerospace industry. I'll come back to this later.

Back in 1959 it was a combination of Pratt & Whitney Canada's R&D efforts and the federal government's investment in the PT6 engine programme that facilitated our entry into the gas-turbine era and ultimately made us the number-one manufacturer of small gas turbine engines in the world. Similarly, it was our ambitious R&D undertakings way back in the late 1980s and early 1990s that seeded the big gains in sales and market share we've achieved in recent years. In 1998, we will achieve a record $2 billion in sales. And we remain very optimistic about the next few years. This continued growth in sales generates a lot of wealth for Canadians in different ways. First, we employ over 8,000 people in Canada. Secondly, we purchase some $500 million in goods and services from more than 3,000 Canadian suppliers and finally, P&WC's activities generate something like $500 to $600 million a year in tax revenues for federal, provincial and municipal governments in Canada.

Average weekly earnings of workers in Canada's aerospace sector are well above the average for all Canadians and I believe the situation is similar in most other high-tech sectors. What's more, advanced technology industries also employ a disproportionate number of highly paid technical and professional staff. These are some of the reasons why it is so important for Canada to have high-tech industries like aerospace. The high-growth economic activity, the high-quality jobs and substantial tax revenues derived from such industries are critical to generate the wealth required to fund our health-care and education systems of the future.

In addition aerospace, which consistently ranks as this country's leading high-tech export sector, has become an increasingly important generator of export earnings for Canada. Aerospace is the only Canadian high-tech industry that consistently makes a positive contribution to Canada's trade balance.

However, I am concerned that we don't have sufficient critical mass in our high-tech sectors as we enter the next millennium. Indeed, an OECD analysis goes so far as to suggest that Canada suffers from an "innovation gap." Consider, for instance, that only 14 per cent of Canada's manufacturing sector qualifies as high-tech, compared to

24 per cent in the United States. The OECD also found that Canada ranked dead last among G-7 countries in terms of its rate of productivity growth over the past 15 years. The gap between Canada and its main economic partner, the United States, is significant and explains part of our loonie troubles. What's more, we continue to lag all other G-7 nations save Italy in terms of percentage of GDP spent on research and development.

These numbers should be a concern for Canada's economic future, when one considers that productivity growth and innovation are prerequisites for long-term competitiveness and rising incomes. And I'm not certain the picture will improve quickly, unless we take some very deliberate action on a national scale to create and sustain an environment more conducive to innovation.

Appropriate fiscal, tax, education, human-resource and regulatory policies are all key components of such an environment. In some of those areas, Canada stacks up quite well against the competition. In others, there is ample opportunity for improvement.

Elsewhere, Canada compares favourably with other G-7 countries in terms of having an exceptionally well-educated population. One of the challenges we face, though, is to maintain that enviable status in the post-2000 world, where higher education and specialised training will be more crucial than ever before. Although Canada leads all OECD nations in terms of total spending on post-secondary education as a percentage of GDP, we're nonetheless faced with a scarcity of financial resources to support the system.

Ensuring a proper level of financing for the education system is a top priority. But then we also have to develop the proper environment and opportunities for our expensively educated young people. A combination of high Canadian taxes and superior job prospects—with remuneration in U.S. "greenbacks"— is already luring large numbers of graduates south of the border.

To create adequate opportunities for our educated people will require that our private sector make a greater commitment to innovation than the less than two-per-cent-of-R&D-to-sales ratio I noted earlier. Sustained, long-term success in the global marketplace cannot be achieved unless Canadian companies are prepared to allocate more of their resources to research and product development—even if that entails foregoing some short-term profits.

However, in many cases—aerospace being one—the private sector can't do it alone. We need an ongoing commitment from Ottawa to support vital research and development in order to help level the playing field for Canadian high-tech players of all stripes in their struggle to win—and hold—an increased share of world markets.

Ottawa this year allocated a total of $250 million to Technology Partnerships Canada, its principal programme for the support of innovation in knowledge-based industries such as environmental technology, biotechnology as well as aerospace. Significant as that may be in the Canadian context, it pales in comparison with the level of support available from governments where current and future competitors for a bigger share of the global pie are based.

Back in the 1989–90 fiscal year, Ottawa allocated some $300 million for strategic assistance to the aerospace sector under the old Defence Industry Productivity Program or "DIPP," as it was commonly known. Flash forward to fiscal 1998–99, and you'll find that the aerospace industry's share of this year's allocations from Technology Partnerships Canada, the successor programme to DIPP, is only $166 million. In 1989, the government's $300 million accounted for 25 per cent of the total $1.2 billion invested in R&D by the aerospace industry. Today, the $166 million invested under the TPC programme represents only 11 per cent of total R&D investments. Not surprisingly, the Canadian aerospace industry has developed an increased number of partnerships with major subcontractors, which partly explains why spending in R&D has not kept pace with sales growth and has resulted in a serious decline in Canadian value-added work.

Despite substantial sales increases, Canadian value-added has slipped from 66 per cent of sales back in 1995 to 54 per cent today, on an industry-wide basis. That is more than a 10-per-cent decline in just four years and I believe it reflects the sharp reduction in government R&D investment. The trend will continue if nothing changes.

Like I said, the need to develop a knowledge-based economy has not been lost on places like the U.S., Europe, South Korea and Japan, even during these difficult times. If rival nations offer an environment more conducive to innovation, one could logically conclude that R&D which otherwise would be undertaken here will go elsewhere. This will serve to increase the "innovation gap" between Canada and other industrialised countries, and lead to a further decline in the proportion of Canadian R&D and value-added in our aerospace sector.

If nothing changes, Canadian aerospace firms will continue to be aggressively pursued by foreign suppliers and partners who, backed by financial support from their governments, are able and willing to share the risk in new Canadian programmes.

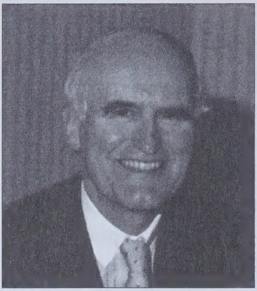
It's not as if we aren't capable of playing in the big leagues, or that Canadian know-how doesn't measure up. The aerospace industry's experience offers tangible proof to the contrary. Over the past five years, we have grown at triple the rate of Canada's GDP and passed Japan to become the world's fifth-largest player in aerospace, trailing only the U.S., the U.K., France and Germany. What's more, the lion's share of our sales are exports—some 80 per cent of the forecast.

Fifteen billion dollars plus in 1998 sales will go to foreign customers. And I'm confident that—given the proper environment—Canada's other knowledge-based industries can equal or match that sort of winning performance.

It was at a forum, not unlike this one, back in 1904, that Sir Wilfrid Laurier uttered his famous—"The 20th century belongs to Canada." Perhaps Sir Wilfrid overstated things a little bit. But we do have a truly marvellous country, which holds every bit as much promise today as it did at the turn of the previous century. However, if we are to realise that tremendous potential as we move into the 21st century, we must strive to ensure that this country becomes recognised around the world as much for its know-how and highly skilled people as for its natural resources. Only then will Canada and Canadians be assured of their rightful place in the knowledge-based, global economy and maintain its position amongst the wealthy nations of the world.

Thank you very much.

The appreciation of the meeting was expressed by Kenneth B. Rotman, Co-President and Managing Director, Clairvest Group Inc. and a Director, The Empire Club of Canada.



November 20, 1998

A. Charles Baillie

Chairman and CEO, TD Bank Financial Group

THE BUSINESS OF BANK MERGERS: A SOUND STRATEGY FOR CANADA

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Sandra Whiting, President, Black Business and Professional Association and a Director, The Empire Club of Canada; Michael Pan, OAC Student, Eastern High School of Commerce; Reverend Dr. John Niles, Victoria Park United Church; Shelley Charles, Executive Director, ANDPVA, The Association for Native Development in The Performing and Visual Arts; Edward Frackowiak, Vice-President, General Counsel for Canada, First American Title Insurance Company; Gareth S. Seltzer, Vice-President, Guardian Capital Advisors and Immediate Past President, The Empire Club of Canada; John A. Campion, Senior Litigation Partner, Fasken Campbell Godfrey and a Past President, The Empire Club of Canada; G. Montegu Black, Chairman and President, Txibanguan Ltd.; Jasmine Herlt, LL.B., Executive Director, CANFAR, Canadian Foundation for AIDS Research; and Kenneth B. Rotman, Co-President and Managing Director, Clairvest Group Inc. and a Director, The Empire Club of Canada.

Introduction by George L. Cooke

It is my privilege to welcome as guest speaker to The Empire Club of Canada, Mr. Charles Baillie, Chairman and CEO, TD Bank Financial Group.

Having your banker as your guest speaker is always a pleasure. Mr. Baillie's organisation and the company that employs me have enjoyed a business relationship since 1887. Mr. Baillie isn't quite that old. He began his career at TD Bank in 1964 and has occupied various positions within the branch system. On February 1, 1997 he assumed the role of President and CEO, and effective February 1, 1998 he was named Chairman and CEO.

Charlie Baillie has experienced many successes throughout his career, some of which include establishing the U.S.A. Division, and the growth of both Green Line Investor Services (TD's discount brokerage arm), and TD Securities Inc.

Mr. Baillie was born and raised in Orillia. He is married and has four children. In his own words he is a "travel, history and nature buff" and in his spare time enjoys travelling the world to locations off the beaten track with his family. He is an avid reader of American and Russian history and collects antique Canadian history and travel books.

Mr. Baillie is going to talk to us today about the business of bank mergers. It is interesting to note that the TD Bank Financial Group was formed on February 1, 1955 as the result of an amalgamation of the Bank of Toronto and the Dominion Bank. Today, worldwide, TD employs over 32,000 people and provides products and services through a network of approximately 900 branches and subsidiaries.

Mr. Baillie, welcome to The Empire Club of Canada.

Charles Baillie

Let me begin by quoting from an article from the business section of the Globe and Mail: "The lack of any further news on the ... merger ... is taken by some to indicate that the proposal ... may be meeting a cool reception in Ottawa, whose approval is necessary before such a merger may be made."

Now, that quote is a bit older than some of you might think. It appeared during the summer of 1954—after the Dominion Bank and the Bank of Toronto had indicated their desire to merge. That article reminds us that opposition to bank mergers has very deep roots.

The quote also reminds us that while the past few decades have been quiet from the point of view of bank mergers, this, in a longer perspective, has been very much the exception, not the rule. In fact, TD and CIBC are the product of 14 separate mergers over the past 128 years. Taken together, the Big Six Banks are the result of over 40 mergers and acquisitions over the same period. Bank mergers may be new news. But they are certainly old history as well.

Of course, as we know, cool heads prevailed in 1955. The merger went through. The sky did not fall. As a matter of interest, the number of staff grew every year following that merger for at least the next decade. Indeed, since its formation, TD's work force has grown from 5,517 to 29,920; and, together with Canada's other major banks, we have helped build one of the most stable, secure and successful banking systems in the world.

And we have done so not by sitting still, but by responding to change and to challenge. Perhaps because the names have not changed for so long, many Canadians see ours as a static business. But consider all that has happened since that year 1955 when TD was formed. Mutual Funds. Discount brokerage. ABMs. Telephone and computer banking. Derivatives. Investment banking. Debit cards and Interac. Full blown securities trading. The ability to enter insurance and trust. All in the space of a generation. All new. All unpredictable. All calculated risks at the time. All critical to meeting Canadians' needs today.

It is that reality, that attitude towards risk and that aptitude to execute well, that lies at the heart of our proposal to merge. I believe strongly this proposal is in TD's interest. I believe strongly that it is in the interest of Canadians. The case for our business is clear. And, I believe, the case for the country is compelling as well. The rationale for this merger is not complex. It is straightforward. It flows from three inter-related trends: globalisation, consolidation and technological change.

Together, those trends form our environment. It is an environment we can't change. Therefore, it is an environment to which we must adapt.

I emphasise that bank mergers are not a Canadian phenomenon. Across North America and around the world, there is an unprecedented trend towards consolidation, both in the financial services industry and among the many clients we serve.

And technological change is making market entry and success possible from a distance—with large-scale physical presence increasingly irrelevant to market penetration. The result? We are facing new competition from new players in many of our core businesses. MBNA, BancOne and Capital One in credit cards. Countrywide in mortgages. Wells Fargo in small business loans. ING in electronic banking. Heller, Associates, Finova and Norwest in consumer and commercial finance. Fidelity, Scudder and Templeton in mutual funds.

While these competitors have not yet significantly hurt our business, it is striking that virtually none of them was in the Canadian market even five years ago. For the first time, our core franchise is coming under attack. Many of these competitors have a capital and a customer base that dwarfs ours—giving them advantages of scale. Almost none of them is burdened with the costs of a large brick-and-mortar presence—or anything close to our regulatory costs—giving them meaningful advantages over the Canadian banks.

And virtually all of them are able to do what they do largely through the application of technology. The sheer numbers tell the story. There was a time when TD spent as much on technology as NationsBank. Since then Nations has experienced several mergers with the result that the new NationsBank of America spent the equivalent of Cdn $3.8 billion in 1997 while we at TD spent only $500 million. There was a time when TD spent roughly the same as MBNA on card technology but last year MBNA spent C$150 million while TD spent $6.5 million. NationsBank and MBNA are able to do that because they have a much broader customer base and much higher volumes over which to spread the costs.

Now, that technology is not going to go away. None of us is going to be returning to ledgers. And neither are these new competitors all of a sudden going to shrink or disappear. Their capital and customer base will only get bigger.

This is a growing threat to the very businesses on which our growth and profitability depends—not partly, but entirely. If we lose our most attractive customers, we would become inefficient, unable to make the investments we must in order to provide the services and products our clients want. We would enter a vicious circle of gradual decline, while our competitors would not.

This reminds me of the trust companies. If we, the banks, had declared a decade ago that we wished to buy the trust companies, the response from our governments would have been a categorical and resounding no. Yet a couple of years later, we were part of the solution. The fact is the trust companies failed because they failed to adapt to a changing competitive landscape.

In that world, the current 10-per-cent restriction on the ownership of banks wouldn't matter very much. Mediocrity would make us unattractive to everyone.

Now, none of this would happen overnight, in a month or even a year or two. The process would be gradual. But it would, I believe, be inexorable. The trends I have described are not cyclical or mere hiccups. They are structural and enduring. And they are not merely hypothetical. A year ago we made the decision we could no longer compete in the custody business as we could not justify the investment in technology the business demands. This year we exited the payroll business, again because we could not afford the technology spending.

My responsibility is not to focus only on the next quarter. My responsibility is to look forward to the next decade. In this business, it is almost impossible to recover a lead once it's lost. And it's equally impossible to take the lead without looking ahead. That, for example, is how and why we at TD were able to build the second-largest discount brokerage in the world—planning ahead while many questioned our judgment. And that's how and why, today, we are looking to merge.

What would that merger mean?

- It would mean new economies of scale that would allow us to better match the costs of our competitors.
- It would mean the ability to make the kinds of large, ongoing investments in technology we need—and to spread that investment over a larger base.
- It would mean lower costs for our clients as savings are passed on to them; something the competitive environment will ensure happens.
- It would mean more and better services because we would have the confidence and the capacity to be innovative, to take risks—rather than being caught up in the caution and inertia induced by dwindling competitive advantage.
- It would mean a new strength in the U.S. market, making us much more likely to be acquirers rather than acquirees in North America.
- It would mean better returns for the hundreds of thousands of Canadians who are directly and indirectly our shareholders, relying on our success to help fund their retirement.
- And it would mean high-value headquarters jobs kept here and created here, and the kind of robust tax returns to governments that come from doing well.

It was not that long ago that Philadelphia and Los Angeles were major financial centres. Today, they are not. New York is the major financial centre in the United States. And Charlotte, the headquarters of the merged NationsBank and Bank of America, has become a significant financial centre largely as a result of bank mergers. The potential for a parallel development in Canada is real—with one important difference. If Toronto were to decline, another Canadian city would not be the beneficiary. It would be New York, or Charlotte. And make no mistake, the gravitational pull of New York is formidable.

The fact is, allowing the bank mergers to proceed would mean strengthening one of the few successful Canadian-owned and Canadian-headquartered industries remaining in this country. Such a policy would be in keeping with our government's trade and NAFTA policies. Where would Nortel and Bombardier, great Canadian success stories, be today if the government had not supported their global initiatives? We also need the ability to compete effectively in those markets.

Now, of course, the case I have made is not without its critics, to say the least. Some of those critics will never change their minds. They are decided. They dislike banks. Therefore they dislike bank mergers. End of argument. However, others are more open, although they too have concerns.

It is therefore the best thing that the decision on mergers is now part of the public-policy process—as it should be—with the Competition Bureau, with the Office of the Superintendent of Financial Institutions, with the Minister of Finance and, ultimately, the Parliament of Canada itself. I support that process because I believe that the best decision will emerge once all perspectives are brought together and all stakeholders have their say.

Today, I would like to raise several issues which I believe are relevant to this debate—and do so by responding to some of the questions and criticisms that have been made.

Some say that mergers are not necessary, not needed. That Canada's banks are doing very well today, thank-you. That they can continue to succeed as they now are. Well, maybe those who say that are right. But I do not believe that they are. And speaking as CEO of TD, I must be blunt: "I may be wrong about the need to merge." But, in the end, that is my and my Board's judgment to make. This is my and my Board's responsibility—to operate the business, on behalf of our shareholders. Others may have a different view about how this bank should be run. But at some point it must be said: "They do not have a responsibility to our shareholders."

A second and related issue. Some say prove you are right. Prove this is absolutely necessary. Prove this is better for shareholders. Prove this is better for employees, for customers, for Canadians. Well, I can put forth arguments and I have and will continue to do so. But I cannot prove any of this. No one can. This is not science. To ask for absolute proof demonstrates either a profound misunderstanding of the nature of business or an intentionally unfair standard set by people who know it can't be met.

One is tempted to say: "Rather than my proving I am right, perhaps others might be asked to prove that I am wrong." That is a particularly appealing approach given the extent of bank mergers taking place around the world.

A third issue—on competition. Critics say the mergers would lead to an unacceptable loss of competition in the financial services industry. On this issue, I would say the following. We believe that a decision can be reached which meets reasonable and accepted standards of competition. In that, I am confident.

Next, rather than the critics calling for some kind of pre-emptive strike based on a self-declared expertise on competition issues, I simply say: "Let the process unfold. In this country, we have a very clear process and a

Bureau equipped with clear guidelines and considerable expertise. Let them do their work."

Finally, on the substance of the issue, it must be asked: "Is the U.S. better served by a larger number of banks?" The answer very clearly is no.

Rather, a country is best served by the greatest number of solid, innovative and efficient banks it can support. And that number should, I believe, be considered in relation to the size of the market served. The fact is, a market can only sustain so many banks over the long haul, and it is arguable that in Canada, as elsewhere, because of technology and capital that number is now fewer than it once was.

I would point out that on a population basis the states of California and Florida are more comparable to Canada than is the entire U.S. Goldman Sachs has noted that after the proposed mergers, the three largest banks in Canada would control 55 per cent of deposits. In California, today, the three largest banks control 52 per cent of deposits. In Florida, the figure is 59 per cent. And mergers continue in those jurisdictions.

A further issue—the importance of size. I am convinced more than ever that in the face of the new trends towards consolidation and foreign penetration of our markets, size is an important defensive and offensive strategy. Others, of course, say size doesn't matter much at all.

Well, this can be a nice, analytical debate. But it misses a major point—that for an increasing number of our clients, size does matter. They believe it is important. They rule people in—and rule people out—on that basis. After all, many of them are themselves implementing or considering their own consolidation. Now, they may be wrong. But that doesn't matter much when our success hinges on that judgment.

Another example: TD has an enviable record in leading loan underwritings. We just ranked number two in the U.S. in leveraged deals and number seven in all loans. No other non-U.S. bank was in the top 10. But last quarter we saw NationsBank commit to two loans of almost $4 billion each. At our size, we could only commit to roughly half that amount on a single loan. The fact is, as more and more of our clients merge, they will be seeking larger loans. And larger banks are better positioned to provide these loans.

To suggest that banks need not grow—or indeed should not grow—in tandem with their clients is simply counter to common sense. And TD has been there before. In the 1950s, the Bank of Toronto and the Dominion Bank were rapidly losing their largest customers—because those customers were outgrowing the capacity of two midsized banks. When those banks merged in 1955, we were able to keep pace with both our customers' needs and our competitors'. We are at the same crossroads now. And we want to keep pace. We want to meet our customers' changing needs and compete against the global giants.

Next, the point is made that mergers will come with a cost—that branches will close, that jobs will be lost. I do not dispute that mergers will have consequences. After all, if they didn't, why merge? I believe it does a disservice to Canadians to pretend otherwise. Now, we have made a very clear commitment to keep job losses to a minimum—and have said that normal attrition will carry much of the burden. I am personally proud of our record as a model employer. It is a record we will maintain. We have made it clear that we will ensure a presence in smaller rural communities where we now operate. And we have made the argument that a more efficient bank is bound to lead to lower, not higher fees.

But there is a larger issue that must be faced. And it is this. I do not believe that smaller, separate and weaker banks would, in the long term, be a very good guarantee of jobs, particularly good jobs. I do not believe that smaller, separate and weaker banks would, in the long term, be a very good guarantee against branch closures. I do not believe that smaller, separate and weaker banks would, in the long term, be a good guarantee of service to small business—service which requires major investment in systems and people. And I do not believe that smaller, separate and weaker banks would, in the long term, be a very good guarantee of customer service or low fees.

We don't live in a world of unlimited choices. And I happen to believe that a larger, stronger, merged bank would be a better long-term guarantee of jobs, of service, of branch presence than the alternative. That certainly was the experience of the Bank of Toronto and Dominion Bank merger.

Let me conclude on a point I believe must become a larger part of this debate. There is very clearly a view on the part of some that banks have a responsibility, in effect, to be agents of social policy—whether in terms of job creation or regional development or support for those in need. And that approval of the mergers should hinge on our playing that role.

Let me be clear. I accept the notion that Canada's banks do have a special obligation. We provide liquidity to the entire economy. We have a responsibility to ensure broad access to our system. And we are custodians of other people's money. These are obligations we take very seriously indeed.

But surely there are limits. The millions of Canadians who are our shareholders—directly or indirectly—have not purchased our shares in order to see us run surrogate governments. They want us to run a competitive, successful bank. The millions of Canadians who entrust their money to us want us to invest it and safeguard it in a way that enhances their financial well-being.

What is more, we are ill-equipped to function as social agencies—and would probably fail if forced to do so. Social policy is the role of government. That, after all, is why our shareholders and our customers pay taxes to the government.

Surely we have learned enough from the experiments and the errors of the 60s and 70s and early 80s to have a clear understanding of what the respective roles of government and the private sector ought to be. Surely, much as it might be emotionally satisfying to some and politically convenient to others, we don't need a National Energy Policy for the banks.

"Banking is not a right; it is a privilege." That statement is profoundly revealing—and profoundly wrong. Yes, I consider it a privilege to be in a position to help guide the future of one of Canada's major banks. It is the same sense of privilege—and of obligation—shared by anyone in private or public life who has the opportunity to lead—and to also serve—whether that be the president of a university, the head of a computer firm or, indeed, a member of Parliament. But if being a banker is a personal privilege, it is also a public right.

Laws and regulations exist to set the rules according to which that right can be exercised. Although the unique nature of financial institutions brings unique regulations, this does not detract from the fact that as with any other business, we should be able to conduct our affairs freely—within the law and without interference.

This is not a narrow and invalid point. It goes to the very heart of how we conceive ourselves as a democratic, free-market society. Indeed, I believe it is telling to note that the only countries in which operating a business is considered to be a privilege—and not a right—are, in fact, totalitarian.

I would ask others in the private sector in this country to consider what is at stake here. This is about their future too. There is something called precedent. The imposition of enforced competitive weakness is a very odd approach to employment and service delivery. It is contrary to logic. And it is certainly contrary to some very hard and real lessons we have learned from Canadian history.

We can all understand the controversy around the merger issue. This is, after all, about a very fundamental restructuring of what is the backbone of the Canadian economy. And I understand, as well, the emotions that have been generated. Canada's banks may never be loved.

But there is something perverse in an attitude which implies it is wrong for a successful enterprise to want to be more successful. That it is wrong when you are profitable today to want to safeguard your shareholders' profits for tomorrow. And that it is wrong for two successful institutions to want to pool their strengths together. Perhaps to some it is un-Canadian to say so, but we are planning for success, for Canadian success.

I do not fall down before the altar of globalisation and technological change. But I do accept them for the forces that they are. In an ideal world—in a dream world—we might wish that mergers were not on the agenda. We would like to be able to ignore the foreign competition we now face which will grow more fierce every year. But we can't.

Nostalgia may be nice. But it's no way to run a bank—or a country.

We have a strategy—one I believe will work—for TD Bank and for Canada.

Banks around the world are merging and will be free to compete in Canada. What is the logic in denying to Canadian banks the ability to merge and therefore the ability to compete against these much larger financial institutions which are reaping the advantages of scale? My plea is: "Give us a chance to succeed; let us compete."

The appreciation of the meeting was expressed by John A. Campion, Senior Litigation Partner, Fasken Campbell Godfrey and a Past President, The Empire Club of Canada.

November 25, 1998

David Clementi

Deputy Governor, Bank of England

LONDON: READY FOR THE EURO

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Douglas Todgham, President, The Canadian Institute for Advanced Research Foundation and a Director, The Empire Club of Canada; The Rt. Rev. Terence Finlay, Bishop of Toronto and Honorary Chaplain, The Empire Club of Canada; Sarah Psutka, OAC Student and Head Girl, Branksome Hall; John Thompson, Deputy Superintendent of Financial Institutions, Canada; Jim Mahaffy, Executive Vice-President, Hong Kong Bank of Canada; Charles Freedman, Deputy Governor, Bank of Canada; Sir Anthony Goodenough, British High Commissioner to Canada; Paul Richards, Special Advisor to the Governor, Bank of England; John Smith, President, British Canadian Chamber of Trade and Commerce and Senior Manager, Global Private Banking, Royal Bank of Canada; Peter White, Chairman, European Union Chamber of Commerce in Toronto and President, Swarski Canada Ltd.; Senator Michael Kirby, Chairman, Senate Banking Committee; Uwe Harnack, President, European Union Chamber of Commerce in Toronto and President, Canadian German Chamber of Industry and Commerce; Patricia Best, Editor, "Report on Business," The Globe and Mail; Paul Cantor, Executive Director, Toronto International Leadership Centre for Financial Sector Supervision; Bryne Purchase, Deputy Minister of

Finance, Government of Ontario; and Bart Mindszenthy, Partner, Mindszenthy & Roberts Communications Counsel and a Director, The Empire Club of Canada.

Introduction by George L. Cooke

It is my great privilege to welcome today as guest speaker to The Empire Club of Canada, David Clementi, Deputy Governor, Bank of England.

The Bank of England is the central bank of the United Kingdom. Standing at the financial centre of the City of London, it serves as bank to both the country's government and to its banking system. The Bank of England is responsible for the overall stability of the country's financial system; it is represented on the General Council of the European Central Bank and is closely involved in preparations for the European Monetary Union.

Set up in 1694 the Bank of England is one of the oldest central banks.

David Clementi became Deputy Governor of the Bank of England on September 1, 1997. In addition to his membership on the Monetary Policy Committee, Mr. Clementi is responsible for the day-to-day management of the bank and, with the passage of the Bank of England Bill, will take on specific responsibility for the bank's work on financial stability issues. David has been heavily involved in the bank's work in preparation for the single currency, including leading the bank's recent Euro Roadshows in New York, Zurich, Tokyo, Singapore and Hong Kong.

Prior to joining the bank, David Clementi worked at Kleinwort Benson for 22 years, where he was Chief Executive from January 1994 and then appointed Vice-Chairman in May 1997. While at Kleinwort Benson, Mr. Clementi played a leading role in the U.K. privatisation programme, including advising Her Majesty's Government on the privatisation of British Telecom, the first global equity issue and the privatisation of the electricity industry in 1991.

David Clementi graduated from Oxford University and qualified as a Chartered Accountant with Arthur Anderson. He then spent two years at Harvard Business School where he obtained his MBA.

Mr. Clementi lives in London and his interests include athletics and sailing.

Mr. Clementi, welcome to The Empire Club of Canada

David Clementi

Despite the uncertainties of the last few years and the deterioration in global market conditions in the last few months, it is clear that the euro is going to be introduced on January 1, 1999. As you all know, the United Kingdom is not going to adopt the euro as its domestic currency from the start. But the euro is likely to become the core currency for the European wholesale markets in London. The City of London is Europe's leading financial centre; and the introduction of a major new currency on the continent of Europe means that London must have all the necessary trading, payment and settlement infrastructure, as it will play a major part in the conversion process and in the euro markets after conversion.

London will be ready for the euro. What I want to do today is to explain how banks and markets in London will help to forge links between the euro area and the rest of the world. But first I would like to say a word about the U.K.'s approach to the European Monetary Union (EMU) and the impact of the euro on the financial landscape.

We hope that EMU will be a success. The British Government is in favour of joining EMU in principle. The Government has made it clear that it sees no constitutional bar to British membership.

There are advantages. For example, the introduction of the single European currency will help to complete the Single European Market. The uncertainty associated with investment decisions within the euro area will be reduced. Europe will continue its consolidation as a major trading bloc. And the euro will create deeper and more liquid financial markets. The government debt market of the euro area will be almost as large as the U.S. Treasury market and corporate bond and equity issuance, which are currently much lower in the euro area than in the U.S., should grow in size when market conditions are right.

But there are also risks. For example, will the U.K. economy be able to live comfortably with euro interest rates on a permanent basis? And if problems emerge after EMU begins, will a 'one-size-fits-all' monetary policy be adequate to deal with them, particularly if there is insufficient flexibility in product and labour markets? A related concern is the high level of unemployment in some continental European countries, and the differing rates between them.

Consequently, the British Government has set a number of economic tests to ensure that, before the U.K. joins EMU, there will be sustainable convergence between the U.K. economy and the euro area. At the moment, short-term interest rates in the U.K. are approximately twice the core European level.

So the U.K. will not join EMU at the outset. But financial market firms in London, whatever their nationality, see the euro as a key part of their business. With our support at the Bank of England, they have been actively preparing for the introduction of the euro. London thrives on liquid markets, regardless of currency. The introduction of the euro is therefore a major opportunity for London.

From the start, London will act as a link with the euro area by providing a full range of euro services in wholesale financial markets. That includes euro payments and settlement, so that anyone who wishes to do so will be able to trade and settle in euro in London from the first day of EMU. But it also extends to euro banking, foreign exchange and derivatives trading, bond and equity issuance and trading, fund management, financial advice and professional support services as well.

The City of London is Europe's leading financial centre and one of the top three global centres, alongside New York and Tokyo. New York is influenced by the size of the domestic economy. That is true of Tokyo as well. But London's success has historically been due to its international financial business.

London has more foreign banking institutions than any other financial centre and it is the largest financial centre for cross-border bank lending.

The BIS survey, which has just been published, confirms that London is the world's leading centre for foreign-exchange business, with average daily net turnover six times that of Frankfurt.

London is the principal centre for the international bond markets, with 60 per cent of primary international bond syndication and around 70 per cent of secondary market trading.

The London Stock Exchange is the world's largest centre for the listing and trading of foreign equities, and has recently announced an alliance with Deutsche Borse in Frankfurt.

London is the largest centre for over-the-counter derivatives trading, and LIFFE expects to maintain its position as one of the leading futures exchanges in Europe.

London has replaced Tokyo as the largest global fund management centre, and is one of the largest centres for insurance business.

London's position derives from the critical mass of markets and financial services available, and the concentration of the strongest financial businesses from all over the world.

London's strengths include a long track record of innovation and capitalising on new opportunities. The most well known example is the creation of the Eurodollar markets, which American firms in London did so much to promote.

London is in a convenient time-zone between Asia in the morning and America in the afternoon. And English is the language of international finance.

London has an abundance of trading and other financial skills and professional support services—in law, accountancy, tax, property and communications.

London has an unwavering commitment to openness and to welcoming the establishment of foreign firms. In particular, the regulatory framework in London has proved sufficiently adaptable to maintain confidence in financial institutions and markets without stifling innovation and risk-taking. The new Financial Services Authority in London is committed to continuing this approach.

And London is supported by a world-class technological infrastructure which is continually being improved.

All these factors help to explain the size of the financial sector based in London. And foreign firms are continuing to move their operations, and in some cases their head offices, to London. In particular, we welcome the commitment which U.S. firms have continued to make to London. It is clear that global financial institutions in the top rank regard London as the place in Europe to be, irrespective of whether the U.K. participates in EMU.

You will have noticed that the factors influencing London's position have little to do with the question of the base currency used either in the U.K. or in Continental Europe. As the City thrives on liquid markets regardless of currency, it will thrive on the euro. Measured in these terms, the introduction of the euro represents an opportunity for London.

We cannot of course be complacent about London's position. London does not hold its pre-eminent position as of right. Its position continually has to be earned. In the run-up to the introduction of the euro, the Bank of England has been playing a key role in making sure that London's global marketplace is prepared for this major new opportunity. And we have been working closely with market practitioners themselves.

We have been ensuring that the necessary financial infrastructure in London is in place so that anyone who wishes to do so can trade and settle in euro in London from the first day of EMU. And we have been promoting agreement between central banks and market practitioners across Europe on practical issues in areas where the market requires a degree of co-ordination, like market conventions.

We have been working with City firms to ensure that they are well prepared for the changeover to the euro in wholesale markets, and in particular for the conversion weekend at the end of this year, when many securities will be redenominated in euro and cash balances converted to euro.

And we have been providing information to the London market so that firms—whatever their nationality—are as well informed as possible about the technical side of the preparations for the euro. Our quarterly series of publications on "Practical Issues" now has a circulation of over 40,000, of which around 5,000 go directly overseas.

In conclusion, I want to emphasise three points.

First, the introduction of the euro on January 1, 1999 will create a major currency for financing, with significant depth and liquidity.

Second, London will be ready for the introduction of the euro. Anybody who wishes to do so will be able to trade and settle in euro in London from the first day.

Third, as Europe's leading financial centre, we are confident that London will be the international financial centre for the euro. And by providing competitive financial services in euro, London will help to increase the flow of business between Europe and the U.S. The City is not just a major national asset. 1t is a major asset for Europe and the international economy as a whole.

Additional remarks were made by Paul Richards, Special Advisor to the Governor, Bank of England.

The appreciation of the meeting was expressed by John Smith, President, British Canadian Chamber of Trade and Commerce and Senior Manager, Global Private Banking, Royal Bank of Canada.

December 1, 1998

The Hon. Ralph Goodale

Minister of Natural Resources, Canada, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Metis and Non-Status Indians

CANADA AND THE KYOTO PROTOCOL

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Angus Scott, Head Master Emeritus, Trinity College School, former Executive Vice-President, Canadian Wilderness Parks and Wilderness Society and Honorary Director, The Empire Club of Canada; The Rt. Rev. Ann Tottenham, Bishop of the Credit Valley Area, Diocese of Toronto; Catherine Mohamed, OAC Student, Rosedale Heights Secondary School; Michael Cleland, Assistant Deputy Minister of the Energy Section, Natural Resources, Government of Canada; Mary Byers, Author and Historian and Honorary Director, The Empire Club of Canada; R. Allen Kilpatrick, President and CEO, Atomic Energy of Canada Ltd.; Monte Hummel, President, World Wildlife Fund Canada; John Campion, Partner, Fasken Campbell Godfrey and a Past President, The Empire Club of Canada; Mary Granscoe, Executive Director, Canadian Parks and Wilderness Society; and Ann Curran, Partner, Lewis Companies and Third Vice-President, The Empire Club of Canada.

Introduction by George L. Cooke

It is a pleasure to welcome today, as guest speaker to The Empire Club of Canada, The Honourable Ralph Goodale.

Ralph Goodale became Minister of Natural Resources Canada and Minister responsible for The Canadian Wheat Board in June of 1997. He is also Federal Interlocutor for Metis and Non-Status Indians and carries regional political responsibilities for Saskatchewan and the North.

In addition to these responsibilities, he chairs the federal Cabinet Committee for the Economic Union, a position to which he was appointed in January 1996.

Raised on the family farm near Wilcox, Saskatchewan and educated at both the University of Regina and the University of Saskatchewan, Ralph Goodale has practical experience in business, agriculture, law and broadcasting, as well as federal and provincial politics.

He was first elected to the Parliament of Canada in 1974 at the age of 24, representing the federal constituency of Assiniboia. In the 1980s, he served as leader of the Saskatchewan Liberal Party and in 1986 was elected a member of the Saskatchewan Legislative Assembly.

Mr. Goodale returned to the House of Commons as MP for Regina-Wascana in October of 1993 and was appointed Minister of Agriculture and Agri-Food Canada. He was re-elected in June 1997.

Ralph Goodale and his wife Pamela live in Regina.

From December 1 to 10, 1997, ministers and other high-level officials from 160 countries met in Kyoto, Japan, for the Third Conference of Parties to the United Nations Framework Convention on Climate Change. Under the new legally binding Kyoto Protocol, industrialised countries must reduce their collective emissions of greenhouse gases by 5.2 per cent below 1990 levels by the period 2008 to 2012. In response to this challenge, Canada has committed to reduce emissions to 6 per cent below 1990 levels by that period. In his address today, Minister Goodale will update us on the progress Canada has made in the past year on the issue of climate change.

Minister Goodale, welcome to The Empire Club of Canada.

Ralph Goodale

Ladies and gentlemen, distinguished guests, good afternoon.

I thank you very much for the opportunity to speak to you today and as the Chairman has mentioned I want to focus my remarks on the complex evolving global challenge of climate change—a challenge that is both environmental and economic. As Minister of Natural Resources Canada and Chair of the committee of the federal cabinet that deals with economic issues, I have a mandate from the Prime Minister to lead the domestic implementation of this country's international climate change commitments.

Those commitments took specific shape almost exactly one year ago in December of 1997 at the third United Nations conference on climate change in Kyoto, Japan. The resulting Kyoto protocol re-affirmed the conviction among some 160 nations that the six commonly identified greenhouse gases, including most especially carbon dioxide, are accumulating in the world's atmosphere at such a rate and to such an extent that they are putting the world's future climate at risk.

For Canada this could mean more severe and more frequent weather disruptions, more inland floods in some areas, more droughts in others, rising sea levels and flooded coastlines but actually less water overall in the Great Lakes, more wind and hail and ice storms and greater threats to public safety and economic security. The vast majority of global scientific opinion suggests that human conduct is certainly contributing to the problem, making it worse, and at Kyoto the industrialised world pledged to accelerate the process of bringing greenhouse gas emissions under more effective control. I say accelerate because this issue and the process to deal with it are not brand new. Kyoto was not some sudden singular event. The world has been wrestling with what to do about greenhouse gas emissions for more than a decade.

In 1988, a global conference in Geneva created the original intergovernmental panel on climate change. That was followed a few months later by a conference on the changing atmosphere here in Toronto. The topic was highlighted at the Rio Earth Summit in 1992 followed by other United Nations conferences in 1995 and 1996 in Berlin and Bonn.

While demonstrating how complex and constantly evolving the climate change issue really is, each of these world gatherings over the last decade has built momentum toward more definitive action. That action would need to begin first among developed countries in the industrialised world because we together are in fact the source of the vast majority of human-induced greenhouse gases so far. But that is steadily changing. Ever-growing energy demand and consumption in the developing world will cause emission levels to escalate sharply in the early years of the next century which simply reinforces the point that climate change is a truly global phenomenon. It creeps toward serious impacts gradually over time. Greenhouse gases and their consequences do not respect anyone's national boundaries and the solutions must ultimately be global in scope.

Specifically in Kyoto, Canada undertook to bring its overall level of emissions down to 6 per cent below the level that existed in Canada in 1990 and to reach that target by the period between 2008 and 2012. The Japanese are also committed to -6 per cent. The Europeans are at minus eight. Most importantly, the United States, which accounts for 80 per cent of Canada's exports, is at minus seven. So the American target is a bit deeper than ours and they have further to go because they start out with excess emissions above 1990 levels which are higher than ours. Based on current information and projections the United States will likely need to cut its emissions from business as usual over the next 10 to 15 years by about 30 per cent. For Canada the required reduction is about 25 per cent.

So going into this challenge Canada's positioning is both strategic and competitive. How we come out of it will depend on how smart we are in devising world-leading made-in-Canada solutions and how astute we are in managing our conduct in comparison to the rest of the world.

I do not minimise the magnitude of the task that lies ahead. Ours is an energy-intensive country due to our northern location and our vast geography. Our population, our exports and our overall economy are all growing as we want them to do. But all that desirable growth brings with it increased emissions. The challenge is to find the means to break the linkage between growth and prosperity on the one hand and greenhouse gases on the other. It's often said that danger and opportunity are the opposite sides of the same coin. On the danger side of this coin Canada's environment and natural resources and the health, safety and long-term economic security of Canadians are particularly vulnerable to climatic disruptions. That's the physical danger to us of overall global inaction. There's also danger in allowing the rest of the world to out-position us in the changing energy dynamics of the 21st century. We don't have the luxury of saying: "Stop the world, we want to get off."

For a host of reasons, of which climate change is just one, energy production and consumption patterns in years to come will likely be much different from those that we know today. New technology will be a key driver and we need to keep ahead of that wave. Indeed we run the risk of obsolescence if we allow ourselves to lag behind.

It's interesting that despite all the turbulence surrounding the Clinton administration in the United States and the scepticism among some American law-makers, the U.S. Congress has enacted over one billion dollars worth of climate change initiatives proposed by the President. They did so for competitive and strategic positioning reasons long before any prospect of U.S. ratification of the Kyoto protocol. As I have said many times, the legal niceties of ratification aside, the important thing is actual U.S. conduct.

A wide variety of private-sector think-tanks have analysed the possible costs associated with implementing Canada's Kyoto obligations. As you would expect, their results vary quite dramatically depending on their modelling methodology and the assumptions that go into those models. Some forecast that implementing Kyoto could generate a modest improvement in GDP at some point after the year 2010. Others suggest that while our economy will still grow at a very healthy rate over the coming decade, implementation could constrain that growth by as much as 3 per cent, not per year but in total over the period.

And that really brings me to the other side of the climate change coin—the opportunity side—and the specific mandate that I've been given for domestic implementation. We must be effective in reaching our Kyoto targets. But we must act in ways that are most compatible with sustained economic growth and increased Canadian competitiveness. And we must be inclusive and fair, ensuring that no region of the country is called upon to bear an unreasonable burden. In the 12 months since Kyoto these are the principles that have shaped our approach. Within 48 hours after Kyoto, the Prime Minister secured the agreement of all of the First Ministers of Canada that climate change is an important global issue that Canada must address and that all governments need to work together to develop a national implementation strategy. And we are doing just that. The work on that strategy is pushing forward, built around 15 issue tables that slice the climate change challenge both vertically by economic sector and horizontally by cross-cutting themes to generate sound analyses and consensus and to identify obstacles to be overcome, opportunities to be seized especially for quick starts, best practices to be shared and strategic long-term options to be pursued. The process is both transparent and highly inclusive. More than 450 participants are engaged in these issue tables representing all provinces, the municipalities, the private sector, the scientific community, all manner of non-governmental organisations and individual Canadians and their work will be invaluable. We are looking forward to seeing the results beginning in 1999.

And let me give just one example among the scores of items being examined by the issue tables. It's the topic of tangible credit for those in the private sector who proactively implement early action to bring their emissions down sooner rather than later. Some companies are naturally worried that if they act too soon the goal-posts may move later on and their early initiatives would not be taken into account. That worry is clearly a disincentive. That's why we want to identify a clear crediting system hopefully early in 1999 to send the message tangibly that there is no advantage in delay and no disadvantage in moving now. This is one key component in a broader strategy to stimulate deeper and stronger action throughout the Canadian private sector.

Beyond building partnerships and momentum with other governments and with business, the Government of Canada has demonstrated leadership on this file in several other important ways. In the 1998 federal budget for example we created a climate change action fund—$50 million per year in each of the next three years. That brings the total federal investment in the search for climate change solutions to about $200 million per year. The new money will add to our understanding of the basic science. It will support the thoughtful inclusive process that's developing that national implementation strategy. It will help engage individual Canadians in the national effort, thinking globally but acting locally and it will accelerate the development and the deployment of more climate-friendly technologies.

The Government of Canada has also been working hard to get its own federal house in order. Nationwide we are a large operating entity—64,000 federal buildings, 25,000 vehicles. We have to lead by example and we are. Through building retrofits, better boiler systems, stronger vehicle fleet management and strategic green power purchases, the Government of Canada is now on track to slash emissions from its own federal operations by more than 20 per cent below 1990 levels—not just Kyoto's minus six—and to reach that deeper target by 2005, not Kyoto's 2010.

Another critical aspect of federal leadership is at the international level. At Kyoto, we fought for and we won a series of vital worldwide flexibility tools—international emissions trading, joint implementation projects among industrialised countries and the clean development mechanism to be used in the developing world. These are not loopholes. They are common-sense tools to allow emission reductions to be achieved globally in the most cost-efficient manner. At the latest climate change conference last month in Buenos Aires, agreement was achieved on a work programme to bring these flexibility measures to life aiming toward the year 2000. International consensus among 160 countries is always tough to accomplish but Canada is at the forefront of the effort because we need these flexibility mechanisms properly designed and implemented.

We're also building bridges to developing countries to induce their meaningful participation and we are leading the world discussion on how to calculate and include forests and farmland as legitimate carbon sinks. For the future as this whole process moves forward I don't want to pre-empt the work of our issue tables and the development of that national implementation strategy but let me just mention a few key areas that are likely to get a lot of attention in the process.

Number one: more energy conservation and efficiency throughout our whole economy—residential buildings, the commercial sector, industrial processes, transportation, public-sector operations, consumer behaviour—the whole gamut. Our tools will be more aggressive promotion and regulations where appropriate and targetted incentives trigger action. We've established an office of energy efficiency within my department to serve as a national centre of expertise and to promote faster progress.

Number two: greater diversification of Canadian energy sources. Unlike most countries we are blessed with a powerful mix of energy sources and we must use that advantage intelligently. Among other things we need to increase the commercial availability and the practical use of alternative fuels and renewable power—hydro, solar, wind, earth and bio energy, more co-generation. We also need to perfect our skills on the use and export of nuclear power. Canada's CANDU technology is the best in the world. It has an enviable reputation for efficiency and safety and it emits no greenhouse gases.

Number three: a market-based approach to future energy investments that will help to bring emissions down. Capital turnover is a key issue. It'll be easier for some and more difficult for others to make a timely transition to lower carbon business operations or more efficient industrial processes. A number of provinces and business leaders have suggested that Canada should seriously examine a domestic version of emissions trading adapted to our internal purposes consistent with international directions and compatible with likely approaches in the United States and we'll look at that very closely with the private sector.

Number four: new technology development and deployment. This really underpins everything else. It's the excitement side, the opportunity side of the climate change challenge. It can mean new business opportunities, new jobs, new economic sophistication, new trade potential and new strategic global positioning. We must foster increased public-sector and private-sector technology investment. We will need and the world will need innovative technological solutions and we should make Canada the place to which the world will look for the best energy ideas.

Momentum is building on many fronts. The Ballard fuel cell technology incubated for several years through government support from my department and others is now gaining major private-sector investors like Ford and Daimler-Benz. Conservall Engineering has installed its unique solar wall ventilation systems across North America and it's now exporting that technology around the world. Suncor is investing in wind power, carbon sinks, conservation education in schools and it's testing an emissions trading contract with Niagara Mohawk Power of New York. Ontario Hydro and the provinces of Ontario and British Columbia are also engaged in pilot projects to test-run emissions trading. Weyerhaeuser Pulp and Paper and Husky Oil are investing in new co-generation projects. Alcan Aluminum from Canada is leading the aluminum industry response to climate change worldwide. It's promoting recycling and lighter weight vehicles with national governments to meet specific targets. Toyota will introduce its new Prius automobile in Canada in the year 2000. Powered by a combination of gasoline and electricity it generates 50 per cent less carbon dioxide. NGV Vehicles of Lethbridge is preparing to export a Canadian natural gas cargo cycle to a billion-dollar market in Asia. Municipalities like Toronto with its atmospheric fund and my own city of Regina as an energy innovator are cutting emissions and saving money at the same time. The University of Ottawa, University Hospital in Edmonton and many others are increasing their energy sophistication to reduce consumption, reduce emissions and reduce costs.

The list goes on and it gets longer every day. We still have much further yet to go. But the critical mass is building and that's been particularly true over these past 12 months. With openness, transparency, and partnerships, with federal leadership by example and commitment, with increasing public understanding and engagement, with broader and faster action in the private sector, with greater energy conservation and efficiency, with more diversification among our energy sources and a powerful emphasis upon new technology, with a global drive to activate our international flexibility tools to properly utilise carbon sinks and to engage developing countries and with a keen eye on our competitive position with the United States, we have moved forward since Kyoto.

Our goal is simply this—to marry strong environmental performance with strong economic performance. Canadians want both and that's what we seek to deliver. As we enter the new millennium Canada should aspire to be nothing less than the smartest nation on earth in the production and the use of the more sophisticated energy products, services and technologies. And I believe that that's a worthy Canadian ambition.

Thank you very much.

The appreciation of the meeting was expressed by John Campion, Partner, Fasken Campbell Godfrey and a Past President, The Empire Club of Canada.

December 3, 1998

Joan M. Green

CEO, Education Quality and Accountability Office

GREATER ACCOUNTABILITY AND BETTER QUALITY IN ONTARIO SCHOOLS

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Thomas L. Wells, President, T.L.W. Consulting, former Ontario Minister of Education and a Director, The Empire Club of Canada; Rev. Dr. Ted Reeve, Minister, Eglinton United Church; Margaret Moll, Student, Northern Secondary School; Barbara Smith, Chair, Education Quality and Accountability Office's Board of Directors and Cultural Development Officer, City of Markham; Harold Braithwaite, Director of Education, Peel District School Board; Gayle Nyberg, Chair, Toronto District School Board; Courtney Pratt, President, Caldwell Partners; Norbert J. Hartmann, Assistant Deputy Minister, Elementary/Secondary Operations, Ontario Ministry of Education and Training; Dr. Bette Stephenson, Vice-Chair, Education Quality and Accountability Office's Board of Directors, Chair, Learning Opportunities Task Force and former Ontario Minister of Education; and Ken Shaw, National Editor, CFTO Television and a Director, The Empire Club of Canada.

Introduction by George L. Cooke

Education is a matter that is of great importance and interest to us all. A danger is that, having attended school, many of us may conclude we have expertise and knowledge about how to educate that really we don't possess. On the other hand, all of us know that the quality of education our children and others in the system receive will be one of the single most determining factors in our country's collective success. These thoughts define part of the challenge our guest speaker faces every day.

It is my pleasure to welcome Joan Green to The Empire Club of Canada.

Ms. Green was appointed Chief Executive Officer of the newly established Education Quality and Accountability Office in 1995. The provincial government created the EQAO in response to a key recommendation made by the Ontario Royal Commission on Learning.

Joan Green has had a distinguished career as an educator and leader in the public sector. In 1989, she was appointed Director of Education and CEO of the Toronto Board of Education.

Joan is a published author on curriculum, assessment, leadership and equity issues and is also a frequent public speaker at national and international events, most recently being invited to address symposia in New Zealand and Singapore.

Joan has received many honours and awards, including the distinguished Educator Award from the Ontario Institute for Studies in Education at the University of Toronto and the Leadership Award for Women in educational administration in Ontario.

Joan is currently the President of the Canadian Education Association, a national organisation which supports quality in education.

Joan has served in the United Way cabinet as Chair of the Education Committee. She is a trustee of the Art Gallery of Ontario, an advisor to the Board of Women in Capital Markets and a director of the Canadian Comprehensive Audit Foundation. She has also been a member of the Board of the Rehabilitation Institute of Toronto, where she chaired the hospital's Quality Committee, and has served as an executive member of the Governing Council of the University of Toronto.

Ms. Green, welcome to The Empire Club of Canada.

Joan Green

Mr. President, head table guests, ladies and gentlemen: I am honoured to address The Empire Club of Canada.

Hardly a day goes by when education is not in the news. In fact, seldom in the history of our province has education generated such intense discussion not only in the media, but around the dinner table, in the board room and in every part of the community.

Stories in the news are often short-lived. They are discovered, discussed and quickly replaced. Why does education persist in the headlines? There are two major explanations.

First, education affects us all, individually and collectively. We are students and former students, parents and grandparents, aunts and uncles, employers and employees, taxpayers and citizens. Although we relate to the education system in different ways, we all depend on the system to perform well.

The second explanation is that education has become even more important to everyone because we live in a period of tremendous economic and social change. Now, more than ever, we want to feel confident that our schools are achieving the results we intend. An educated population has always been a social policy objective; today, it is also an economic imperative.

Education is the foundation of a healthy, fulfilling life and of a productive, democratic society. Our schools, colleges and universities help people become privately happy and publicly useful.

At the turn of the century, John Dewey wrote, “What the best and wisest parents want for their own child is what the community must want for all of its children. Any other ideal for our schools is narrow and unlovely; acted upon it would destroy our democracy.”

Parents across Ontario have high expectations of their children’s schools. This is as it should be. At the same time, we must all recognise that a school cannot be a dynamic place without the involvement of parents and the support of the whole community. A child’s learning is affected by everything that is happening in the school, at home and in society at large. The school must therefore be a place where all the adults in a child's life are working together to provide opportunities and optimism. Teachers, parents, government, business, labour and the public must live up to their responsibilities to ensure that the right conditions are in place.

Schools are the backbone of communities across Ontario. Such is not the case everywhere. We sometimes forget that there are communities in North America where schools have fallen from public grace, no longer places which inspire the confidence of parents and students. We have not allowed this to happen in Ontario; we must ensure that this never happens in Ontario. We readily acknowledge that our schools are not perfect, but our premise is that they must endure and improve.

Our modern-day publicly funded school system has deep roots in our province. By the turn of the century, people had already begun to recognise the benefits of fostering knowledge and skills in the population at large.

Schools have since become a symbol of what we value. Our schools are not only a reflection of whom we are, they are a signal of the society we are destined to become. That is why education ranks so highly on the public's list of priorities.

Groucho Marx once quipped that "the future ain't what it used to be." We learn, live and work in a time of constant change. We must make sense of new ideas and shifting realities.

Broadening access to education is a central challenge now confronting every modern society. We need graduates who can create and fill high-skill jobs, drive economic growth and contribute to social progress. If students could once make their way in the world without the benefit of a formal education, that day is long gone.

To put it bluntly, the haves and the have nots will be determined, more than ever, by educational success or failure. So, "making it" in school has taken on a whole new meaning and importance. The programmes in schools must meet the needs and learning styles of many more students than in the past. If a school gives up on a kid in 1998, the price to be paid by the student and society is much higher than it was in 1958. Now that we succeed at keeping most students in school, we must figure out ways to educate everyone we keep there. This is where some of the most heated debate is occurring today.

What do we mean by achievement? Clearly, students must be competent in the basics. They must be able to read, write and do mathematics. Strength in these fundamentals paves the way for students to pursue the arts, sciences, humanities, social sciences and all the other areas of inquiry that comprise a well-rounded education and a balanced life.

More than simply asking students to memorise and recite facts, we must make certain that they go further and apply what they have learned. It is vital that they know how to retrieve information from a variety of sources, that they know how to analyse it from a number of angles and that they have the skills to use it effectively in different settings.

The underlying structure and assumptions of contemporary schooling are rooted in the industrial society but our economic and social environments are being transformed by the information age. Our students will join a work force that is far more mobile and they will follow career paths that are far less predictable. Few of them will be able to depend on the safety net of continuous employment in a single organisation.

By choice or necessity, many students will earn their living by working for themselves. Today, nearly one in five Canadians is self-employed and the number is growing. The challenge for schools is to ensure that students are competent and confident in a world that values the skills of decision making, problem solving, critical thought and creativity. Students will need to be adept at self-management, taking initiative, analysing risk and seizing opportunities that may well fly in the face of conventional wisdom.

The Ontario Royal Commission on Learning was mindful of this challenge when, in 1995, it recommended that the provincial government create the Education Quality and Accountability Office. Parents in every community told the commission that they wanted evidence that the education system was functioning effectively and efficiently, providing all Ontario students with the best possible opportunities to learn.

EQAO's mandate is to respond to this call for greater accountability and better quality. We are an arm's-length agency accountable to the public through an independent board of directors.

I emphasise our independent status because it is an important source of our credibility. EQAO is not an apologist or spokesperson for teachers or the government; our role is to report the facts about student achievement and to make recommendations for improvement.

One of our major jobs is to develop and conduct tests in our schools. We are also in the process of designing an Education Quality Indicators Program for use across the province. We provide a range of statistics and analysis that educators, parents and the general public can use to evaluate the progress that is being made in Ontario's education system.

When we began our work three years ago, province-wide tests had never before been administered in Ontario's elementary schools. Not surprisingly, testing was at first unsettling for many teachers, parents and students. People wondered what would be on the tests. They worried that the results might be used to bash the system or to blame teachers, rather than as a window on learning and a catalyst for improvement.

Our approach addressed these concerns and demonstrated our commitment to constructive dialogue and concerted action.

When the first tests came out in the spring of 1997, students realised that the tests weren't full of surprises or tricks but covered the full scope of the knowledge and skills they had been learning throughout the year. Teachers saw that the tests provided models and strategies they could use in their classrooms every day. Parents became convinced that the tests were a timely check on their children's progress and on the school system generally.

To date, we have tested students in Grade 3, Grade 6 and Grade 9. The Grade 3 assessment is conducted annually and covers reading, writing and mathematics. It involves all students in publicly funded Ontario schools. We report results for schools, school boards and the province as a whole and we send home an individualised student report to every parent. Many private schools have chosen to participate in our tests so that they can obtain similar information about their students' achievement in light of the provincial picture.

The Grade 3 experience has had a huge impact on education in Ontario. We are now in the midst of expanding our testing programme to include more students. As a result, next spring, we will be testing all Grade 3 students and all Grade 6 students in reading, writing and mathematics. Together that represents some 300,000 students in over 3,500 English- and French-language elementary schools.

Human learning is complex. We can't rely on a single type of question to tell us everything we want to know. To obtain the full story about how students are doing, we need a technology that is equal to the task. Our approach to testing is distinct because we use many different methods to find out what students know and can do. Our tests provide insight into how students think.

We ask students to read and analyse a variety of reading materials, including articles, stories and poems. We give them opportunities to write and then edit their work. We require them to demonstrate their understanding of mathematical concepts by solving problems and communicating their rationale.

Testing students in the early grades gives parents and teachers a clear indication about strengths and weaknesses in students' learning. Good tests tell the school and the home where to focus and monitor efforts. They clarify what's expected and what needs to be done. They provide a benchmark against which schools can evaluate their performance over time.

In the year 2000, EQAO will launch a Grade 10 literacy assessment. To obtain a high school diploma, students will have to complete the test successfully. This test will provide an important check on how well students are developing their reading and writing skills, which constitute essential building blocks for success at school, at work and in the community.

At the end of October, we released our second annual "Provincial Report on Achievement." The results showed that while Ontario students are making progress and schools are using data to improve students' learning, much remains to be done.

While approximately half of the Grade 3 students achieved at Levels 3 and 4 on our four-level scale, our tests showed that half are not yet achieving at these high levels. Many students are still at Level 2 in reading, writing and in mathematics. These students are approaching but have not yet reached the provincial standard for their grade. A small number of Grade 3 students performed at Level 1. Their work showed limited knowledge and skills.

The test results shine a light on areas where students are doing well and where problems exist. They show where we need to increase our efforts and where we need to change direction. We are not satisfied with the results.

We cannot be satisfied until we know for certain that we are doing everything in our power to help all students do the very best they can.

Interestingly, for the second consecutive year, our surveys showed that Grade 3 girls were less confident about their abilities than the boys, despite the fact that the girls outperformed the boys by a significant margin in all three subject areas. The more things change, the more they stay the same!

The results from this year's Grade 9 mathematics test should be of serious concern to everyone. They echo last year's worrying Grade 6 mathematics results. The fact is, many Ontario students are struggling in mathematics. In this year's Grade 9 test, 21 per cent of the students achieved at Level 1. This means that they showed only limited knowledge and understanding of the concepts and skills in the mathematics curriculum.

It is also concerning that students had the most difficulty in problem solving, a particularly important skill at a time when mathematics, science and technology are rapidly becoming our bread and butter.

Students need to talk about issues and experiment with innovative solutions. As one 17-year-old recently observed, "Schools need to help students understand how we learn so that we can deal with new situations when no one is around to tell us what to do."

In this year's "Provincial Report," we recommended that students have more opportunities to strengthen their knowledge and skills in all aspects of mathematics by solving problems that have real-life applications.

Our report set out major recommendations pertaining to the Grade 3 test as well. Each recommendation identified specific steps that school boards and schools could take to address gaps in learning and teaching. Our recommendations call for action by everyone in education—teachers, parents, students, the provincial government, the Ontario College of Teachers, the teachers' federations and the faculties of education.

Education is not about winning or losing and testing is not a race. We want all students to win. Test results are useful because they challenge us to pay rigorous attention to where we are and where we want to be. They hold up a mirror to our performance and help us face the truth about our current realities. By celebrating our victories and confronting our weaknesses, we can construct the way forward for all students.

School improvement is not a mystery. Schools, classrooms and school systems can and do improve every day.

Right after we release the provincial results and our recommendations each year, teachers in every school begin working with parents and community members to create action plans. This process motivates people to ask tough questions, it cultivates shared responsibility and it galvanises school-wide change. Teachers and parents have told us that, over the past two years, they have seen evidence that testing is making a difference.

It is counter-productive to rank schools based on test results because rankings tell us nothing about why scores are high or low and nothing about what can be done to make them better. In fact, rankings lead people to draw sweeping conclusions or make simplistic comparisons that fail to consider all of the factors that affect achievement.

Accountability neither begins nor ends with the publication of these test results. It is a process that continues over time and involves the whole community. Where accountability exists, progress is not only possible, it is probable.

The Auditor General of Canada, Denis Desautels, says that accountability exists in "relationships based on the obligation to demonstrate and take responsibility for performance in light of agreed expectations."

Accountability in education involves reciprocal obligations. Schools are responsible to parents and the public for providing students with the best programmes and the highest-quality instruction. By the same token, however, parents and the public are responsible for providing schools with the support, input and direction they require.

Ontario spends approximately $14 billion a year on the publicly funded school system. This sum represents an enormous investment in the future of this province. Ontarians want to know that these resources are being spent wisely. They want evidence that the system is getting better. They want to know that students are receiving the instruction and support they need. They want to feel confident that in the years ahead Ontario will have an educated and adaptable work force. And, Ontarians want to make sure that students have the attitudes and skills to go on learning for a lifetime.

We are blessed to live and work in one of the most diverse societies on the face of the earth. The children in our schools speak many different languages. Their families have roots in every part of the world.

The real test of our commitment to a healthy, productive society is our willingness to invest time, energy and resources in a school system which recognises that while all children come to school at about the same age, they bring with them a wide range of experiences and life circumstances. We need to take them all from where they are to as far as they can go. The economic returns from this investment are clear. But the true reward lies in the larger, deeper, better life that a good education provides for everyone.

Almost from the moment of conception, parents worry about their child's schooling, where the child will attend and whether that school will be good enough. The question we must ask ourselves is whether we are prepared to provide all children with the opportunity to attend a good school. I believe that this is something to which every child is entitled and for which our society is ultimately responsible.

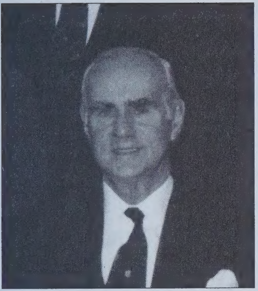
Stories about schools abound. We hear them and we remember them. Each of us has at least one that we can trace to a person or an event, that we can link to some great triumph or a sad disappointment.

Let me close with the words of one of our Grade 3 students who is obviously going to do well in life. On a visit to his school, I asked Tony and his classmates for their advice on what we could do to make schools better. Tony said it all better than any of us could. He replied, "Tell us what good work looks like and tell us what comes next." When I requested his permission to quote his advice, he said, "Speak to my mom. I'm sure we can make a deal!"

Organisations typically get what they earnestly and specifically set out to get. Schools are no different. Excellence is never an accident. It is always the result of focused intention, sincere effort, intelligent direction and skillful execution. It is the wise choice among many alternatives and it is the one we must all embrace—for the good of our children and the future of our province.

Thank you very much.

The appreciation of the meeting was expressed by Ken Shaw, National Editor, CFTO Television and a Director, The Empire Club of Canada.



December 17, 1998

The Hon. Henry N.R. Jackman

Chairman and President, E-L Financial Corporation Ltd. and Honorary Chairman, The Empire Club of Canada

CHRISTMAS LUNCHEON

Seasons Greetings from The Hon. Henry Jackman and Special Performance by the Nathaniel Dett Chorale

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Ed Badovinac, Professor, Department of Telecommunications, George Brown College and a Director, The Empire Club of Canada; Dilnaz Panjwani, OAC Student, Branksome Hall; Brig. Gen. John Hayter, Ontario Council and President, St. John Ambulance; Sandy Hawley, Sports Legend, Ontario Jockey Club; Norm Gardner, Councillor, City of Toronto and Chair, Toronto Police Services Board; Brainerd Blyden-Taylor, Artistic Director and Conductor, Nathaniel Dett Chorale; Tony van Straubenzee, Partner, Russell Reynolds Associates, President, Rockhaven Consulting and a Past President, The Empire Club of Canada; Mary Lou Fallis, Soprano-comedienne; His Eminence Aloysius Cardinal Ambrozic, Archbishop of Toronto; Erin Davis, Radio Personality, CHFI FM and Spokesperson, Children's Wish Foundation; Col. William Ratcliffe, Territorial Community Relations Secretary, The Salvation Army; The Hon. Vivien Poy, Senator, Senate of Canada; Albert Schultz, Co-Founder, Soul Pepper Theatre Group and Award-Winning Actor of Stage and Screen; Gwen Boniface, Commissioner, Ontario Provincial Police; Lt. Col. Robert Chapman, Deputy Commander, 32 Brigade; and Duncan N.R. Jackman, Managing Director, Fulcrum Investment Company and a Director, The Empire Club of Canada.

Introduction by George L. Cooke

It is my pleasure to introduce to you The Honourable Henry N.R. Jackman who will offer wishes to the Club at this time of year.

Henry Jackman

I have had the pleasure of being at the Empire Club Christmas luncheon every year for over 30 years. This is always a wonderful occasion. We get away from talking about what's wrong with the government or bank mergers or these more trivial things and we concentrate on what brings us all together, what is really important in our lives. Let's just call it the spirit of Christmas. I'm looking out and I see these wonderful young artists facing me. Maybe you and the audience can't see them. All I can say is I'm looking forward to hearing their music and as we listen to them we will think very much about Christmas and everything it means. Thank you very much.

George Cooke

Your Honour, thank you. Before introducing the choir I have an official communiqué from Her Majesty the Queen, which I would like to read.

> Dear Mr. Cooke,
>
> The Queen was pleased to receive your kind expression of loyalty sent on behalf of the members of The Empire Club of Canada on the occasion of their annual Christmas luncheon which is being held in Toronto, Ontario on the 17th December, 1998. Her Majesty sends her best wishes to all those attending for a successful and enjoyable afternoon.

And I have as well a written expression from the Governor General, Roméo LeBlanc which I again would like to read to you.

> We are sure that the Huron language gave us the name Toronto but there is some debate about its meaning. Of the possible choices many agree the place of meeting is the most apt. It certainly fits the bill as a definition of The Empire Club of Canada. This Club is a meeting place for any interested Canadian to hear the opinions of distinguished men and women from around the world. For 95 years a diverse group of prominent speakers from Indira Ghandi to Her Majesty the Queen Mother to David Rockefeller have entertained and instructed their audiences. It is little wonder that these regular luncheons have a reputation of one of the most prestigious speaker forums in North America. As Governor General and Patron I send my Season's Greetings and congratulations to The Empire Club of Canada. You have provided a place for people from every background to present and discuss a wide range of viewpoints and that is a definition of Canada at its best.

Now the Nathaniel Dett Chorale, recently formed on the 23rd September, 1998 was named for Nathaniel Dett, who was a second-generation Canadian, a musical pioneer born in Niagara Falls. It has a focus on Afrocentric musical forms. It has 20 members forming a professional chamber choir. They did their first self-presentation concert in Toronto last evening at Convocation Hall. It was sold out and has received rave reviews today in the Toronto Star. We are very thrilled to have you with us today. I turn it over to you.

The appreciation of the meeting was expressed by Tony van Straubenzee, Partner, Russell Reynolds Associates, President, Rockhaven Consulting and a Past President, The Empire Club of Canada.

Gwen Boniface, Commissioner, Ontario Provincial Police, Lt. Col. Robert Chapman, Deputy Commander, 32 Brigade and S.W. (Sam) Billich, SBSt.J., C.D., J.P., a Director, The Empire Club of Canada.

MGen. Bruce J. Legge, C.M.M., C.M., KSt.J. E.D., C.D., Q.C., Partner, Legge & Legge and a Past President, The Empire Club of Canada, Reverend Kim Beard, Rector, Christ Church Brampton and a Director, The Empire Club of Canada, The Rt. Rev. Terence Finlay, Bishop of Toronto and Honorary Chaplain, The Empire Club of Canada and Ronald Goodall, a Past President, The Empire Club of Canada.

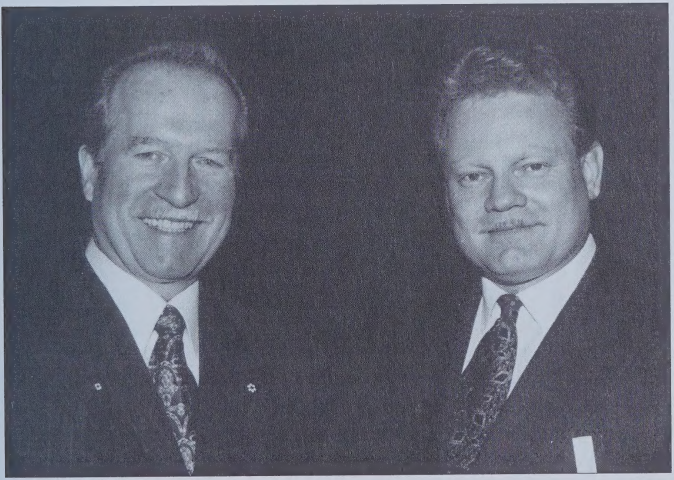
Anthony Taylor, Director of Wellington Underwriting, plc, Lloyd's of London and George L. Cooke, President, The Empire Club of Canada and President and CEO, The Dominion of Canada General Insurance Company.

George L. Cooke, President, The Empire Club of Canada and President and CEO, The Dominion of Canada General Insurance Company, Edward (Ed) Badovinac, K.H., Professor of Telecommunications, George Brown College, a Director, The Empire Club of Canada and Chairman of the Yearbook, The Hon. Dave Johnson, Minister, Education and Training and Dr. Peter Ross, President, Board of Governors, Seneca College.

Edward (Ed) Badovinac, K.H., Professor of Telecommunications, George Brown College, a Director, The Empire Club of Canada and Chairman of the Yearbook, John A. Campion, Partner, Fasken Campbell Godfrey and a Past President, The Empire Club of Canada, His Honour Justice Charles L. Dubin, Counsel, Tory Tory DesLaurier and Binnington and former Chief Justice of the Ontario Court of Appeal and Marnie A. McGarry, Director of Development, Adventure Place, Calico School and a Director, The Empire Club of Canada.

His Excellency, Emil Constantinescu, President of Romania and Peter Munk, Chairman and CEO, TrizecHahn Corporation and Chairman, Barrick Gold Corporation.

George L. Cooke, President, The Empire Club of Canada and President and CEO, The Dominion of Canada General Insurance Company, The Hon. Anne McLellan, Minister of Justice and Attorney General of Canada and Nalini Stewart, President, The Canadian Club of Toronto.

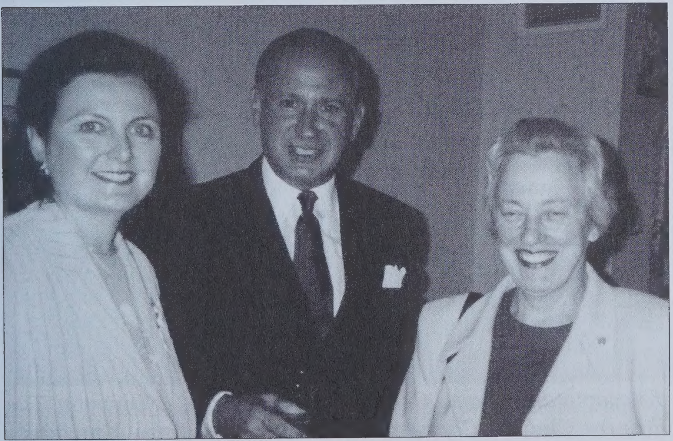


Thomas O'Grady, C.M., former Commissioner, Ontario Provincial Police and Michael Clarke, C.M., Executive Director, Heart Touching Heart Ministries.

Adamson Richard Hauth, grandson of Tony Hauth, Meadowvale Secondary School Edenwood, Ronald Stephen Hauth, son of Tony Hauth, Manager and Vice-President, Hallmark, Lloyd Robertson, News Anchor, CTV Toronto and Anthony (Tony) Hauth, retired, Director of Catering, Royal York Hotel (1940–1990) and Veteran RCAF (1943, '44, '45).

Greg Edgelow, Commonwealth Games Gold Medallist, Jocelyn Badovinac, U.E., M.Ed., D.H., York Board Teacher of English as a Second Language, Dr. Thomas Delworth, Provost, Trinity College, University of Toronto, Lloyd Robertson, O.C., Chief Anchor and Senior News Editor, CTV and Edward (Ed) Badovinac, K.H., Professor of Telecommunications, George Brown College, a Director, The Empire Club of Canada and Chairman of the Yearbook.

MGen. Reginald W. Lewis, C.M.M, C.M. C.D., Chairman, Defence Construction Canada, a Director, The Atlantic Council of Canada and a Past President, The Empire Club of Canada and General Paul Manson, former Commander of the Air Force and Chief of Defence Staff, Vice Chairman, Advisory Committee of Canadian War Museum and Chairman of "Passing the Torch" Campaign.



Maureen McTeer, Author, Lawyer and Wife of The Rt. Hon. Joe Clark, Irving Gerstein, President, Glen Oak Capital and Libby Burnham, Q.C., Counsel, Borden & Elliot and Past President, The Canadian Club of Toronto.

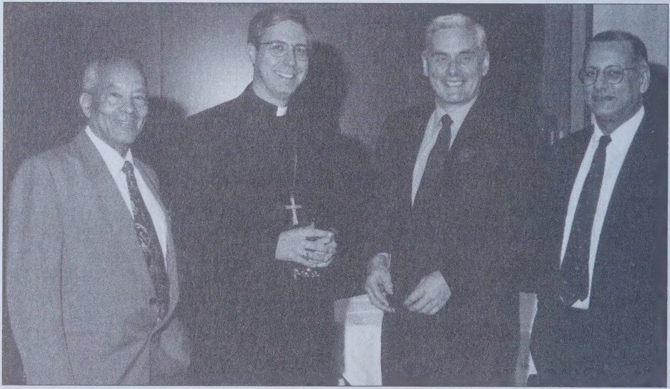
The Rt. Hon. John N. Turner, Partner, Miller Thomson and Gordon Campbell, Leader of the Official Opposition for the Province of British Columbia.

Edward (Ed) Badovinac, Professor, Dept. of Telecommunications, George Brown College, a Director, The Empire Club of Canada and Chairman of the Yearbook, Gordon Campbell, Leader of the Official Opposition for the Province of British Columbia and George L. Cooke, President, The Empire Club of Canada and President and CEO, The Dominion of Canada General Insurance Company.

Stanley Hartt, Chairman, Saloman Smith Barney Canada, Brian Pallister, Candidate for Leadership of the Progressive Party of Canada and Senator Consiglio DiNino, Senate of Canada.

The Rt. Hon. David Trimble, First Minister of Northern Ireland, Sir Anthony Goodenough, British High Commissioner to Canada, Thomas Savage, Chairman, Northern Ireland Partnership and Immediate Past Chairman, The Ireland Fund of Canada and Laurent Beaudoin, Chairman, President and CEO, Bombardier Inc.

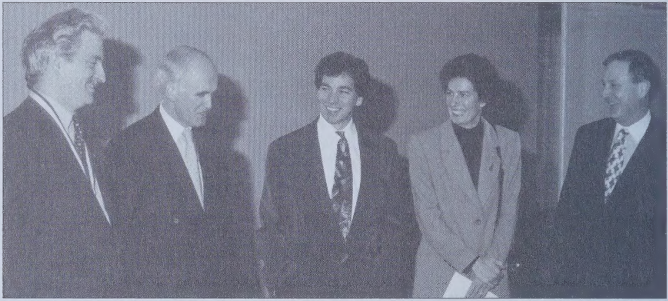
David Pattenden, CEO, Ontario Medical Association, Dr. William Orovan, President, Ontario Medical Association, Dr. John Bonn, Registrar, College of Physicians and Surgeons and Reverend Christopher King, Rector, Little Trinity Anglican Church.



John Brooks, Chair, Fundraising Committee, The John Brooks Community Foundation and Scholarship Fund, The Reverend Douglas Kramer, St. Phillips Lutheran Church, Etobicoke, Dr. Claude Lajeunesse, President and Vice Chancellor, Ryerson Polytechnic University and Nazmin Zaver, President, Continuing Education Students' Association, Ryerson Polytechnic University.

Allan Fotheringham, Author and Columnist, Anne Libby, Director, The Empire Club of Canada and Peter C. Newman, Author.

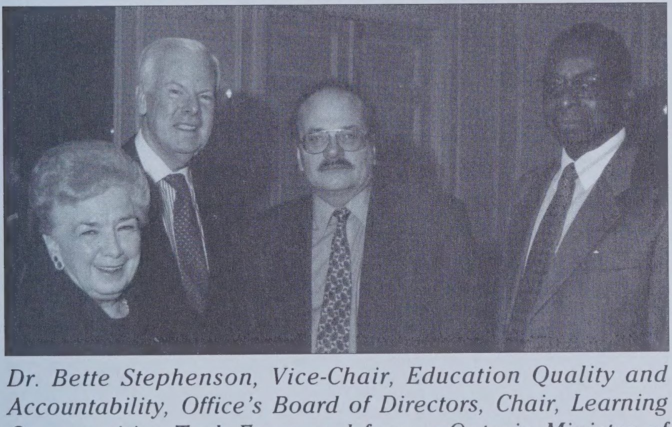
Andre Hidi, Co-Chief Executive Officer, Saloman Smith Barney Canada, Peter Pauly, Professor, Economics and Business Economics, Associate Dean, Rotman School of Management, Duncan N.R. Jackman, Managing Director, Fulcrum Investment Corporation and a Director, The Empire Club of Canada, Peter Smith, President and CEO, Aerospace Industries Association of Canada and Kenneth B. Rotman, Co-President and Managing Director, Clairvest Group Inc. and a Director, The Empire Club of Canada.



George L. Cooke, President, The Empire Club of Canada and President and CEO, The Dominion of Canada General Insurance Company, A. Charles Baillie, Chairman and CEO, TD Bank Financial Group, Kenneth B. Rotman, Co-President and Managing Director, Clairvest Group Inc. and a Director, The Empire Club of Canada, Jasmine Herlt, LL.B., Executive Director, CANFAR—Canadian Foundation for AIDS Research and John A. Campion, Senior Litigation Partner, Fasken Campbell Godfrey and a Past President, The Empire Club of Canada.

Paul Richards, Special Advisor to the Governor, Bank of England, David Clementi, Deputy Governor, Bank of England, John Thompson, Deputy Superintendent of Financial Institutions, Canada, Senator Michael Kirby, Chairman, Senate Banking Committee and Charles Freedman, Deputy Governor, Bank of Canada.

Mary Byers, Author and Historian, and Honorary Director, The Empire Club of Canada and The Rt. Rev. Ann Tottenham, Bishop of the Credit Valley Area, Diocese of Toronto.



Dr. Bette Stephenson, Vice-Chair, Education Quality and Accountability, Office's Board of Directors, Chair, Learning Opportunities Task Force and former Ontario Minister of Education, Thomas L. Wells, President, T.L.W. Consulting, former Ontario Minister of Education and a Director, The Empire Club of Canada, Norbert J. Hartmann, Assistant Deputy Minister, Elementary/Secondary Operations, Ontario Ministry of Education and Training and Harold Braithwaite, Director of Education, Peel District School Board.

Sitting left to right:
George L. Cooke, President, The Empire Club of Canada and President and CEO, The Dominion of Canada General Insurance Company; The Hon. Henry N.R. Jackman, Chairman and President, B-L Financial Corporation Ltd. and Honorary Chairman, The Empire Club of Canada; His Eminence Aloysius Cardinal Ambrozic, Archbishop of Toronto; and Erin Davis, Radio Personality CHFI FM and Spokesperson, Children's Wish Foundation.
Standing left to right:
Sandy Hawley, Sports Legend, Ontario Jockey Club; Tony van Straubenzee, Partner, Russell Reynolds Associates, President, Rockhaven Consulting and a Past President, The Empire Club of Canada; Mary Lou Fallis, Soprano-comedienne; Edward Badovinac, Professor, Dept. of Telecommunications, George Brown College, a Director, The Empire Club of Canada and Chairman of the Yearbook; Col. William Ratclffe, Territorial Community Relations Secretary, The Salvation Army; Albert Schultz, Co-Founder, Soul Pepper Theatre Group and Award-Winning Actor of Stage and Screen; Duncan N.R. Jackman, Managing Director, Fulcrum Investment Company and a Director, The Empire Club of Canada; Brig. Gen. John Hayter, Ontario Council and President, St. John Ambulance; Lt. Col. Robert Chapman, Deputy Commander, 32 Brigade; Gwen Boniface, Commissioner, Ontario Provincial Police; Dilnaz Panjwaul, OAC Student, Branksome Hall; and The Hon. Vivien Poy, Senator, Senate of Canada.

Ann Curran, Partner, Lewis Companies Inc. and Third Vice-President, The Empire Club of Canada, Ken Shaw, National Editor, CFTO Television and a Director, The Empire Club of Canada, The Hon. Isabel Bassett, MPP, Minister of Citizenship, Culture and Recreation and Edward Badovinac, Professor, Dept. of Telecommunications, George Brown College, a Director, The Empire Club of Canada and Chairman of the Yearbook.

Sonja Smits, Award-winning Actress and Star of "Traders" and LCol. A.G. (Sandy) Cameron, AdeC to the Lieutenant-Governor of Ontario and a Director, The Empire Club of Canada.

Dr. The Hon. Keith Mitchell, Prime Minister of Grenada and Sandra Whiting, President, Black Business & Professional Association and a Director, The Empire Club of Canada.

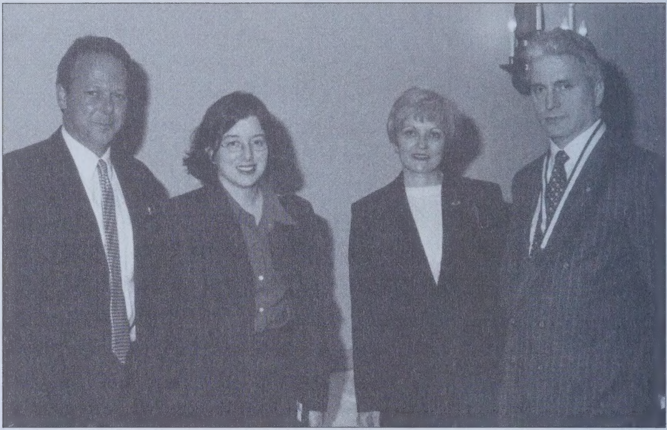
Henry Friesen, President, Medical Research Council and Catherine Steele, Vice-President (Toronto) and Partner, Gervais Gagnon Covington and Associates and a Director, The Empire Club of Canada.

Jamie Shae, NATO Spokesman, Deputy Director of NATO Information and Press and Professor Robert Spencer, Ph.D., President, The Atlantic Council of Canada.

Paul Lucas, President and CEO, Glaxo Wellcome Inc., David Buchanan, OAC Student, Eastdale Collegiate Institute, Dr. Frederic Jackman, President, Invicta Investments Incorporated and a Past President, The Empire Club of Canada and Bill Laidlaw, Second Vice-President, The Empire Club of Canada and a Director, Government Relations, Glaxo Wellcome Inc.

Tony Burman, Head, CBC Newsworld, The Honourable Bob Rae, Partner, Goodman Phillips & Vineberg and former Premier of Ontario and George L. Cooke, President, The Empire Club of Canada and President and CEO, The Dominion of Canada General Insurance Company.

Dr. Linda M. Harasim, President and CEO, TeleLearning Network of Centres of Excellence, Simon Fraser University, Dr. Claude Lajeunesse, President and Vice Chancellor, Ryerson Polytechnic University and David Crane, Economics Editor, The Toronto Star.



Gareth S. Seltzer, Chairman, Funds Development, The Canadian Breast Cancer Foundation, Vice-President, Guardian Capital Advisors and Immediate Past President, The Empire Club of Canada, Catherine Steele, Vice-President (Toronto) and Partner, Gervais Gagnon Covington & Associates and a Director, The Empire Club of Canada, Jane Pepino, Chair, Women's Health Council and Partner, Aird & Berlis and George L. Cooke, President, The Empire Club of Canada and President and CEO, The Dominion of Canada General Insurance Company.

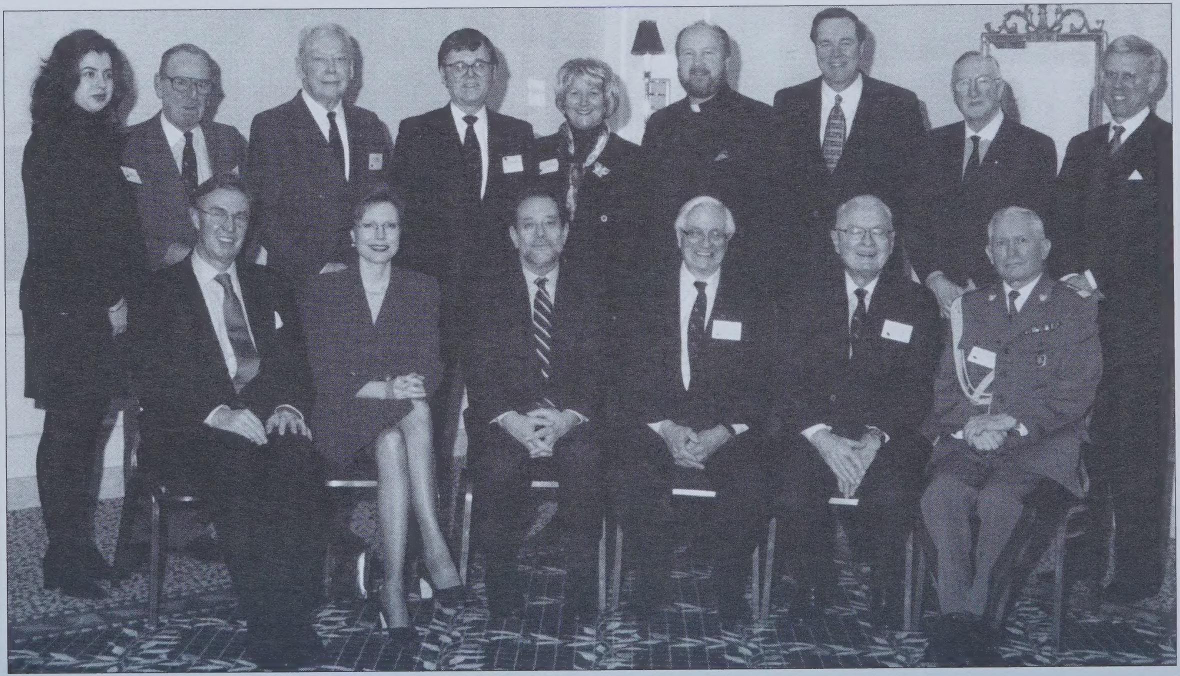
Lord Marshall of Knightsbridge, Chairman, British Airways plc, BTR Siebe plc and London Development Partnership and Deputy President, Confederation of British Industry and Thomas L. Wells, President, TLW Consulting, former Ontario Agent General in the U.K. and a Director, The Empire Club of Canada..

Professor Roger Martin, Dean, Rotman School of Management, University of Toronto, Gordon F. Cheesbrough, President and CEO, Altamira Management Ltd., Anne Libby, Owner, Libby's of Ontario Art Gallery and a Director, The Empire Club of Canada and C. Alexander Squires, Managing Partner, Brant Securities Ltd., and a Director, The Empire Club of Canada.

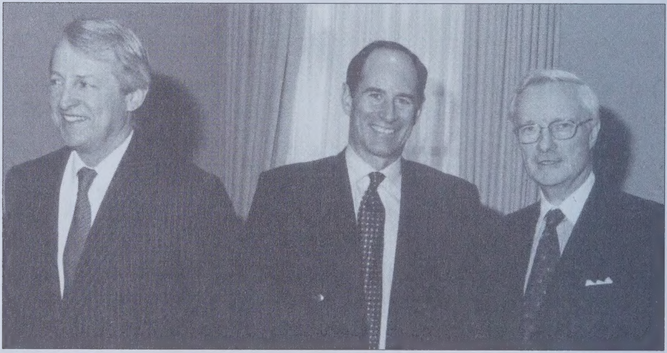
Mary van Straubenzee, Marguerite (Grete) Hale, Chair, Morrison Lamothe Inc. and Tony van Straubenzee, Managing Director, Russell Reynolds Associates and a Past President, The Empire Club of Canada.

Sitting left to right:
His Excellency, Ambassador David Wright, Canadian Ambassador to NATO; Ann Curran, Partner, Lewis Companies Inc. and Third Vice-President, The Empire Club of Canada; His Excellency Dr. Javier Solana, Secretary General of NATO; Professor Robert Spencer, President, The Atlantic Council of Canada; Edward H. Crawford, Past Chairman, The Atlantic Council of Canada, Past Chairman, Board of Directors, The Canada Life Assurance Company; and Lieutenant General Henryk Szumski, Chief of the Defence Staff of Poland.

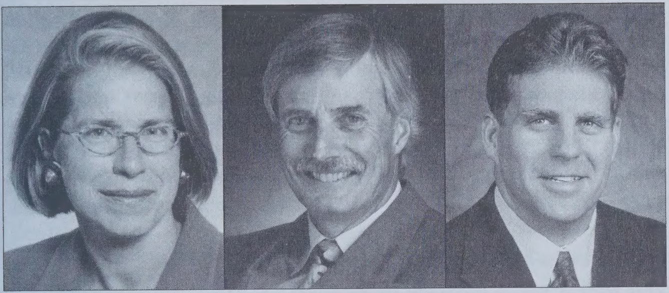
Standing left to right:
Lula Kosanic, Student, Political Science and International Affairs, University of Toronto; The Hon. Barnett Danson, P.C., O.C., Consultant, former Minister of Defence and Honorary Director, The Empire Club of Canada; MGen. Bruce J. Legge, C.M.M., C.M., KSt.J., E.D., C.D., Q.C., Partner, Legge & Legge, a Past President, The Empire Club of Canada and Vice-President, The Atlantic Council of Canada; Edward P. Badovinac, Professor, Dept. of Telecommunications, George Brown College, a Director, The Empire Club of Canada and a Director, The Atlantic Council of Canada; Dana Hines, Vice-President, The Atlantic Council of Canada; Reverend Kim Beard, Rector, Christ Church, Brampton; Ken Shaw, National Editor, CFTO Television and a Director, The Empire Club of Canada; MGen. Reginald W. Lewis, C.M.M., C.M., C.D., Chairman, Defence Construction Canada, a Director, The Atlantic Council of Canada and a Past President, The Empire Club of Canada; and Roger P. Parkinson, Publisher and CEO, The Globe and Mail.



Marguerite (Grete) Hale, Chair, Morrison Lamothe Inc., Abigail Slater, Owner and Chief Financial Officer, Bakeworks and Susanne P. Hudson, Real Estate Sales Representative, Royal LePage, Johnston & Daniel Division and a Past Publisher, Canadian Geographic and Your Money magazines.



David Banks, Executive Chairman, Newcourt, Professor Roger Martin, Dean, Rotman School of Management, University of Toronto and Tony van Straubenzee, Partner, Russell Reynolds Associates and a Past President, The Empire Club of Canada.



January 14, 1999

Anne-Marie Thomas, C.F.A.

Assistant Vice-President, Fixed Income, Altamira Investment Services Inc.

John Embry

Vice-President, Equities, Royal Bank Investment Management Inc.

Bill Eigen, C.F.A.

Portfolio Strategist, Asset Allocation Funds (Boston), Fidelity Investments, Canada

ANNUAL FINANCIAL FORUM

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Margaret M. Samuel, CFA, Equity Analyst, Royal Bank Investment Management Inc. and a Director, The Empire Club of Canada; Joe Oliver, President and CEO, Investment Dealers Association; Richard S. Hallisey, Vice Chairman and Director, First Marathon Securities Ltd.; Peter Nixon, Vice-President and Director, Dundee Securities;

The Hon. Thomas A. Hockin, President and CEO, Investment Funds Institute of Canada; Reverend Grant Kerr, Associate Minister, St. Paul's United Church, Brampton; Brian Imrie, Managing Director, Investment Banking, Credit Suisse First Boston; Barry Cooper, Vice Chairman, Global Institutional Equity, Nesbitt Burns Inc.; Tony Pullen, Vice Chairman, Yorkton Securities Inc.; and Blake Goldring, CFA, President and COO, AGF Management Ltd. and a Director, The Empire Club of Canada.

Introduction by George L. Cooke

Our format today includes three guest speakers. All have extensive knowledge and experience in the financial sector.

Anne-Marie Thomas is Assistant Vice-President, Fixed Income with Altamira Investment Services Inc. She is a member of the Portfolio Team for the Altamira Bond Fund and the Altamira Income Fund. We note Altamira won the Fixed Income Fund of the Year Award at the Mutual Funds Award Gala held in December. Prior to joining Altamira, Anne-Marie was Vice-President, Institutional Bond Sales with Goldman Sachs Canada and she has held various positions with CIBC Wood Gundy, including Vice-President, Private Placements, Vice-President, Institutional Fixed Income Sales, Vice-President, Government of Canada Bond Trading, and Vice-President, Money Market Sales. Anne-Marie holds a BBA in Finance from the University of Iowa, an MBA from the University of Western Ontario, and the Chartered Financial Analyst designation.

John Embry is Vice-President, Equities and Portfolio Manager with Royal Bank Investment Management Inc. John specialises in the gold sector and is Chairman of the Canadian Equity and Stock Selection Committee. He began his investment career at a major insurance company as a stock selection analyst, and spent many years as a portfolio manager, primarily in Canadian equities. He progressed to the position of Vice-President, Pension Investments for the entire firm. After 23 years with the company, he became a partner with United Bond and Share, the investment counselling firm that was eventually acquired by Royal Bank to become RBIM. Mr. Embry graduated from the University of Manitoba with a Bachelor of Commerce degree.

William Eigen is Portfolio Strategist, Asset Allocation Funds (Boston) with Fidelity Investments, Canada. He has come from Boston in this weather to be here today. As well as being involved in several levels of decision making for the funds, much of Bill's efforts are focused on setting fixed income strategy. In addition, Bill often represents Fidelity's performance, strategies, and outlook to the investment community, as well as conducting research and reviews of the U.S. and international economies, capital markets, and securities instruments. Mr. Eigen graduated cum laude from the University of Rhode Island with a BS in Finance. He received his Chartered Financial Analyst designation in 1993 and is a registered securities representative with the NASD. Bill is an active member of the Association for Investment Management and Research, the Boston Security Analysts Society, and the Bond Analysts Society of Boston.

I welcome each of these special speakers to The Empire Club of Canada.

Anne-Marie Thomas

I'm not sure what has been more of a roller coaster this week—trying to navigate the roads or navigate the markets. Just when we thought the volatility in 1998 was gone, it has returned with a vengeance in the form of Brazil. The stage has been set for the market battle of 1999: in the one corner the U.S. consumer and in the other corner global economic slowdown.

Our long-term fixed income outlook at Altamira is bullish. We think the global economic slowdown will take precedence and we'll see North American interest rates drop significantly over the course of 1999. But not withstanding our long-term view and this week's events, we think in the first quarter the U.S. consumer will carry the day. Our fixed income outlook in the first quarter as a result is defensive and in the longer term, over one year, optimistic. So I will review it in that order.

Our expectation regarding higher rates in the short-term is shaped by a few major events which took place in the fall. First, the Federal Reserve Board's Greenspan cutting interest rates by 75 basis points; second, strong U.S. consumer; and third, two international events—the Japanese repatriation and the introduction of the new euro currency. Each of these we expect will continue to have an adverse impact on North American bond markets.

First of all Alan Greenspan. He is probably as popular and as known in the financial markets as Michael Jordan is in the sports world. But when Greenspan quits the team the markets will be far more unsettled than even Chicago Bulls' fans are today. The cuts in the fall were very important and not only relieved concerns about the credit crunch but the soundness of the financial system. It also contributed however to larger corporate profits and cut the cost of capital. This resulted in equity being more attractive at the margin than debt.

Second is the U.S. consumer as Titan in the U.S. economy. At 4.3-per-cent unemployment (at 8-per-cent unemployment in Canada, we are doing quite well as well) in conjunction with a growth in wages that's led to strong retail sales, a strong residential construction market and strong auto sales the U.S. consumer is holding the U.S. economy up and shows no signs of waning. That also tends to be supportive of equity markets at the expense of debt.

On the international front. The hornet's nest of the Japanese banking system and economy still presents problems. The estimates out of Japan are that this could cost the equivalent of approximately US$750 billion and we've already heard that this will entail additional borrowing by the Japanese government of the equivalent of around US$650 billion. The implication of this is significant because this causes capital to move back to Japan from the U.S. Treasury market and as a result this not only has a negative impact on the U.S. dollar but also a negative impact on North American bond markets.

And finally, the introduction of the euro. To date, the U.S. dollar has been reserve currency to the world and currently countries are holding an excess of U.S. dollars relative to the trade balance that would be required for trade purposes. The euro will likely attract some of the interest as a reserve currency because of the size and health of the region and it represents a slow leak to the value of the U.S. dollar and U.S. assets.

All these events are still in evidence and should put upward pressure on interest rates in the first quarter and as a result we see Canadian long bonds trading at between 540 and 560 and the U.S. long bond trading at between five and a quarter and five and a half.

What of our long-term view?

The events of this week are certainly a test of those conditions that we have just outlined. Thus far, the U.S. consumer has shrugged off a profound collapse in Asia and a fragile fiscal and political situation in Latin America. But if the consumer is the strength of the U.S. economy where is the connection to something like a Brazil?

We think corporate profits represent that proxy and corporate profits are declining. Our equity friends are never an optimistic bunch. Over 400 downward profit revisions to fourth-quarter earnings seem to have gone unnoticed. We are also expecting declines in corporate profits from a slowdown in Asia which represents a third of global GDP and Latin America, including Mexico, which represents approximately 20 per cent of U.S. exports.

Merger and acquisition activity, although not necessarily impairing corporate profits, will also contribute to a contraction in the labour markets. As a result, unfortunately, corporate restructuring including M&A and corporate profit drops will result in job, wage and wealth losses to the U.S. consumer.

This in conjunction with a possibly lengthy impeachment trial we expect will impinge on consumer confidence and consumer spending and will translate at that point into lower retail sales, lower housing starts, lower auto sales and as a result we expect at that point to see a shift in the markets from equity into debt.

Despite the continued pressure on the U.S. dollar from repatriation and from the introduction of the euro, the global slowdown should result in that asset shift into bonds and move North American rates down significantly with long Canada bonds by the end of the year yielding between 4.75 and 5 per cent and long U.S. Treasury bonds yielding between four and a half and four and three-quarters.

For the moment the battle between the consumer and the global economic challenges rages on. The Canadian content of the world economy links the fortunes of our currency and markets more closely to commodities than the U.S. but our strength and weakness is linked to theirs. And so as a result by the end of the quarter we think that the opportunity will present itself to increase exposure to North American bonds but we are biding our time until the signs are in place.

Thanks for your time.

John Embry

Having to speak about the prospects for the Canadian stock market, at this juncture, is a daunting task. Our market has lagged most of the industrialised world stock markets, with the notable exception of Japan, by a considerable margin in recent years. One very stark comparison is the TSE 300 Index's total return of 11 per cent per annum over the past four years contrasted with the 28-per-cent annual return on the S&P 500 in the same time period.

In fact, the stunning returns posted by the U.S. market as well as many European markets in recent years begs the question: Are we truly in a new era where stratospheric valuations are justifiable or are we in the throes of a classic financial asset inflation driven by excess credit creation which can't find an outlet in the real economy? I tend to believe that the demarcation line for which explanation you favour is age. Most people under 40 opt for the "new era" theory while the older set tend to favour "financial asset inflation." By the colour of my hair you can easily determine which side of the argument I favour. However, it is a very critical question when attempting to ascertain the future direction of the Canadian stock market.

If one really believes that we are in a "new era" then the Canadian market is merely a laggard which is due to make up ground on the other markets when commodity prices and, concomitantly, the Canadian dollar improve. On the other hand, if we are in nothing more than a classic financial asset inflation, an event which occurred in the United States in the late 20s and Japan in the late 80s, then the prospects for the Canadian stock market are far less promising because current stock market action is an aberration which portends nothing for the future direction of the world economy. We can speculate endlessly as to which theory will prevail but only time will determine the outcome.

Enough of the esoterica, what are we currently faced with in the Canadian market? Perhaps a review of the 1998 action on the TSE will be useful on the premise that the past may well be prologue. The TSE 300 Index took us for a real roller coaster ride last year. The year began with spirits high and liquidity abundant and the Index rose by more than 15 per cent through mid-April. Then, unfortunately, reality intruded as the potential impact of the Asian contagion on the Canadian scene became more apparent.

This was soon exacerbated by innumerable things going wrong on the international front, not the least of which were the Russian default and the near implosion of a major U.S. hedge fund, LTCM, previously known as Long Term Capital Management but now known as Lets Trust Computers More—same acronym but perhaps a more apt name. By the time the smoke cleared, the Index was off by more than 30 per cent from the April high and the bears were ascendant. World markets, including the TSE, were then rescued by a round of interest-rate cuts led by the venerable U.S. Federal Reserve. Confidence was restored and the Index staged a 16-per-cent rally in the fourth quarter. After all was said and done, the TSE 300 posted a small loss for the year but breadth in the market was generally poor and the average stock and, conceivably, the average investor didn't fare as well as the Index.

As we enter 1999, confidence is once more bubbling over and with looser monetary policy, lower interest rates and a decelerating economy, liquidity is again abundant. Investors may be even more ebullient following their 1998 experience because they believe if anything goes wrong in the market, the monetary authorities will be there to bail them out.

A 6-per-cent increase in the TSE 300 in the first week of the year, capped off by a 7-per-cent gain in the metals subindex on Friday, because the nickel price rose two cents, attests to the fact that animal spirits are high and, in Canada, we don't even have many Internet-related entities to truly inflame the speculators. Can this rate of acceleration continue? Of course not. But can the Canadian market put in a credible showing for the remainder of the year? Perhaps. However, there are at least three major issues that have to be addressed.

First, and perhaps foremost, whither the U.S. market? Despite the fact that our gains in Canada in the last few years have paled in comparison to those achieved in the U.S., we remain inextricably linked to the U.S. market. If it were to decline precipitously at some point in 1999, and that prospect can't be ruled out with the S&P 500 trading in excess of 30x earnings at a time when earnings appear to be under pressure, then Canada would unfortunately be caught in the vortex and dragged down as well. I seriously doubt that the magnitude of the decline in our market would match theirs because our valuations aren't as stretched, but the direction North American markets move will most assuredly be established south of the border.

The health of the U.S. stock market is also very important from another perspective; its impact on the economy. The U.S. economy is driving the world economy and the consumer is the engine of the U.S. economy. American consumers have been on a spending spree, their confidence buoyed by stock market gains to the extent that their savings rate is virtually zero. If the stock market were to seriously retrench, so will the consumer and the odds of a recession in the U.S. would rise dramatically. That brings me to my second big issue for the Canadian market, the direction of the world economy in the next 12 to 18 months. As you are all aware, the Canadian stock market continues to have a significant cyclical and natural resource bias and, if U.S. economic weakness was to coincide with a slowing European economy and continued stagnation in Asia and much of the third world, the prospects for Canada's cyclical and natural resource companies will remain bleak. If the world economy, heaven forbid, was to slump into recession, the prospects for the Canadian economy, currency and stock market would be dire. We would again be viewed as a country with too much external debt and too little internal vitality.

The third major issue for the Canadian market is corporate profits. Even if one assumes that the North American economy grows at a moderate rate, improved profits are going to be hard to come by in the near future. The world is plagued by overcapacity in many industries, the Asians are preparing to flood the world with cheap goods and I believe the Internet is going to prove to be very deflationary for prices. Thus, with the odd exception, there is a distinct lack of pricing power in the system. In the face of muted demand and a shortage of skilled labour which will create pockets of wage pressure, profit margins could come under considerable pressure. Canada, as represented by the TSE 300, has had a corporate profit problem for some time as TSE earnings have been stagnating since 1995. The villains in the piece have been the natural resource stocks whose earnings have been decimated, a factor which has offset strength in domestically generated earnings. However, the domestic companies may have a more difficult time generating significant earnings increases in 1999, for the aforementioned reasons. The optimism of Bay Street analysts remains undaunted, however. For the fifth consecutive year, the analysts' individual earnings estimates for TSE 300 companies in 1999 aggregate to a number which appears virtually unobtainable.

This reflects analysts' natural optimism but they haven't learned much from their huge overestimations in previous years. Trailing TSE 300 earnings are currently in the $275 area against an Index price of 6700. The analysts' aggregate number for 1999 is in the $340–350 range, a mere 23-per-cent gain, although it is falling daily. The strategists who compile their TSE earnings estimates using a top-down methodology which tends to pay more attention to over-riding economic factors are clustered in the $275–300 range but their numbers are declining also. The point is the same lack of earnings momentum which has plagued Canada for several years appears to be in evidence again. As analysts are forced to reduce their individual company estimates as the year unfolds, earnings disappointment, a stock killer if there ever was one, will be felt again.

Those are what I see as the main potential negatives which the Canadian stock market may have to confront as we move towards the millennium. However, to put a more positive spin on things, let us assume that Abby Joseph Cohen of Goldman Sachs, a strategist with an excellent record of calling the U.S. market, continues to be right and the U.S. market hums along churning out yet another double-digit gain in 1999. This should ensure that the U.S. economy will continue on a positive trajectory as the wealth effect bolsters consumer spending. If the U.S.

economy remains relatively healthy this will allow Canada's export business, 80 per cent of which goes to the U.S., to remain firm and keep our economy on an even keel.

I believe that one of Fed Chairman Alan Greenspan's objectives when he began aggressively cutting rates was to ensure that the U.S. economy would continue to prosper until Asia and a number of the other trouble spots repaired themselves. I think he would have preferred that we not have experienced a virtually manic stock market which has blown out to valuation levels seldom if ever seen before. However, this was the price to be paid to buy time to allow the world economy to regain its health. If he is successful, and that is a big if, Canada and its stock market will ultimately be a huge beneficiary because as the world economy strengthens, particularly Asia, it will unleash a lot of pent-up demand for commodities. When the commodity complex rights itself and demand for metals, energy, forest products and agricultural goods, etc. accelerates, Canada's stock market will finally have earnings momentum. After a number of years of stagnation, this will most certainly be a welcome development and international capital will once again seek out our market.

However, let's be realistic. If this is going to happen I think its going to take time and when I say time, I don't mean six or 12 months. The amount of damage that has been done to the Asian infrastructure and financial system and the enormous overcapacity which is in existence can't be dealt with in a matter of months. It will take years and I suspect it will continue to exert a deflationary impact on the Canadian economy and, by extension the stock market, for a considerable period of time. Canada will have its day in the sun but I don't think it is going to be in the next 12 months.

There is one other issue that I almost hesitate to mention and that is the issue of Y2K. To date, the stock market has tended to ignore the subject but as January 1, 2000 approaches, there will conceivably be enough scare stories that it will have to take notice. The market hates uncertainty and whether you are an optimist or a pessimist with respect to the Y2K problem, it most assuredly introduces uncertainty as we count down to the fateful day.

So far, I've discussed fundamental issues that should influence the Canadian stock market as we move through 1999. What I haven't discussed is sentiment or human emotion which has such a dramatic impact on stock market valuations in both directions. One of the few advantages of being old, other than it beats the alternative, is that you've seen emotion at work for a long time in the market.

I well remember the hysteria of the late 60s when market conditions somewhat resembled today's and people talked about a shortage of stocks and multiples moved ever higher in a speculative fervour. I vividly remember the early 70s when we had the "Nifty Fifty" and no one cared how high a multiple they paid for those favoured stocks whose growth would last forever. I saw the dreams fade and the stock market smashed as the inflationary 70s unfolded. By 1982, at the bottom, the pessimism was so black that despite single-digit P/E multiples, no one talked about equities as long-term investments and magazine covers trumpeted "The Death of Equities."

So as we stand here today, on the cusp of the millennium, after 16 years of rising stock markets, equities are now an article of faith even though the valuations are at levels rarely seen before. I truly hope the "new era" believers are correct because it will make all our lives very much better. But I pause because of the degree of speculation presently and how easy it is to make money in the most risky of stocks. Admittedly, the speculation is only in a few sectors but the intensity of the speculation is unnerving. Internet companies rising in value by billions per day even though their revenues are in the millions attest to the lack of fear in the market. The current complacency in the market in the face of numerous systemic problems prompted one U.S. observer to dub it "irrational complacency," a wry follow-up to Alan Greenspan's infamous "irrational exuberance" comment about the Dow 3000 points ago. We will find out whether the complacency is irrational or truly justified as 1999 unfolds.

To close on a more prosaic note, I feel obliged to make a prediction on the Canadian market for 1999. I suspect that we may have a replay of 1998 experience. I foresee a market high in the first quarter as liquidity prevails, followed by another teeth-rattling correction as investors become more concerned about some of the fundamental problems. Hopefully, perceptions of the world economy will begin to improve later in the year and this will underpin a strong year-end rally.

However, on an overall risk-reward basis I remain cautious.

Thank you very much for your attention.

Bill Eigen

My barber was nice enough to tell me the other day how to make money in this market and I really appreciated it. Basically he told me to buy Yahoo. When I asked him what he knew about the company he told me he knew the ticker symbol and that was enough for him. I think that goes along with some of the thoughts that were just presented here as to some of the speculation that is going on in this market.

However, being a portfolio strategist and being an asset allocation specialist, I have been content to ride the wave for the past couple of years actually by being overweight equities in some of our U.S. funds and actually being underweight in our Canadian asset allocation fund to the Canadian market.

Normally I would have a lengthy series of prepared remarks (and actually I did) but I decided to change them at the last minute when I saw some interesting things going on in the market over the past couple of weeks including yesterday. What happened in the market yesterday demonstrated the resiliency of the U.S. market. The uncertainty in the market yesterday morning at about 9:30 a.m. was somewhat incredible and to see the NASDAQ composite go down 115 points in about five minutes and then rebound to a flat level in about 20 minutes certainly says something about the volatility level in these markets and certainly increases the difficulty of making bold and astute predictions in a market like this.

As far as making predictions on the markets are concerned, our philosophy at Fidelity Investments is to make deliberate and subtle shifts in our asset allocation stance taking a long-term view that can be easily changed by short-term events. In reality it's great to take a long-term view on the asset classes but if you ignore what is happening short-term you can really find yourselves in a world of hurt.

On that note I listen to several different strategists some of whom have been on the money, others who have predicted exactly 15 of the last two bear markets. In situations like that I find myself weighing the evidence and in many cases disregarding what the quantitative models might say. Disregarding what theory academics might tell me and really just going with what I know and going with what I feel is right in a given market has fortunately been right more than 51 per cent of the time which is basically all you need to be a successful strategist as everyone in this room knows.

I must open with a disclaimer also. The views that I will present today are solely related to the funds that I have responsibility for. There is no such thing, contrary to what some may believe, as a Fidelity-wide view on the markets. We have many portfolio managers at Fidelity

Investments both on the international side and the domestic side and nobody has the same view on the markets and that's what makes for great argument in our committee meetings.

If I told you last year at this time that in 1998 the U.S. economy would slow, Russia would absolutely crumble and its currency would go to pot and it would default on its debt obligations, the world's biggest hedge fund would absolutely fall apart and have to be baled out by the Fed, Asian contagion would reach an extreme, and we would initiate a bombing campaign on Iraq, where would you have thought the U.S. equity market would close at the end of 1998? I think I have some pretty good ideas and I certainly don't think anyone in this room would have said the NASDAQ would close up 40 per cent. The S&P 500 will close up 27 per cent. It is just unbelievable what has been happening in this market lately and again I think that it is driven by several factors.

I think one of the biggest factors you are seeing in the United States right now is the absolute return and empowerment of the retail investor. Companies like e-Trade. You've got people quitting their jobs now and going home and day trading for a living. Now will that continue? Probably, but the bottom line is you are seeing a lot of liquidity in the U.S. market. You are seeing certain types of securities trade their entire outstanding float one or two times a day. A company has four million shares outstanding and guess what? It traded eight million shares today. It is unbelievable. I have never seen anything like it. But again liquidity is the name of the game in this market. If you have liquidity your market can move forward. If you don't have liquidity your market can't move forward. Just ask some of our trading partners like Indonesia that question. If you don't have liquidity, if you have capital flight, your markets are not going to go anywhere. People are going to be very disappointed and it takes a long time to earn people back once you lose them from a market like Indonesia or several South-East Asian markets, some of which are starting to recover.

As far as some themes that we cover in our funds it is really interesting because I am a pretty simple guy as you can tell. I carry a yellow pad around with me so I can remember ideas that I hear from people and think about them when I get back to Boston. I don't carry my sophisticated quantitatively driven model around with me and redo the inputs when I get an idea. I put it on my yellow pad and I bring it back to the Boston office and I think about it. And I think about what I am hearing from people. I think about what I am hearing from company officials. I think about what I am hearing from other portfolio managers and I put that through one of the most complex instruments known to man—the human brain. And I then apply that to my overall asset allocation process along with the lead manager of all our funds who has been around for 31 years. And I can honestly say he is the only person who, when the market tanked about 500 points in August, just sat back in his chair and very calmly bought because he has seen it all before and he has seen it several times before. We had younger portfolio managers at Fidelity just running around. It was a really interesting time and fortunately it was a very good call and it was actually a call on the strength not only of the U.S. but the North American environment for equity investing as well as fixed income investing.

Our current view now is, if you were to look for instance at the allocations in our international portfolio fund, neutral to slightly overweighted in the U.S. That's a pretty major move when you consider that our index is about 50-per-cent U.S. That's a pretty bold call.

The fact of the matter is the U.S. economy continues to be on track. Inflation is very low. Certainly equity premiums for certain companies are extremely high. If you told me last year that 10 companies in the S&P 500 would drive about 50 per cent of the return I might have told you

you were crazy but that's exactly what happened this year. People are really focusing on the brand names. Why does Amazon.com sell at 146 times sales? Because people are buying it. That's why it is selling at 146 times sales. It's the simple rule of supply and demand. But I will not listen to any analyst who can justify its valuation for me. They're coming up with new metrics. I've seen more new metrics that people come up with to justify evaluations than I've ever seen in my entire career this year. Now it is not the price to sales or price to book, it is price to press release ratio for some of these companies.

You can imagine how frustrating that is for someone who likes to fall back on fundamentals every now and then because the fundamental game just simply doesn't work for a lot of the companies that you see. It certainly doesn't work for AOL which is now a major component of the S&P 500. The simple fact of the matter is the managers who did not hold market-weight positions in the top five securities in the S&P underperformed by as much as five, six, seven to 10 per cent. It is a pretty simple rule really. You really have to keep an eye on what you are trying to beat at all times.

So again we continue to be overweighted on the U.S. We are constructive on the U.S. for a few simple reasons. One: The U.S. is very flush with liquidity. It is something that not enough people really think about. Liquidity is really kind of a given but we know what a lack of liquidity can do to these markets. Yesterday was a perfect example of how liquid the U.S. market is and how it came back yesterday and yes we are going through a difficult period of time right now. Over the last couple of sessions I should say. But we have had quite an opening to the year. I do not think the U.S. market will be up as much as it was last year but I do think that the U.S. equity market will out-perform bonds this year. So we have our asset allocation funds neutrally weighted on bonds and overweighted in equities and underweighted in cash to reflect that view.

We do believe that Canada will undergo moderate economic growth in 1999—certainly nothing spectacular, maybe one to 2-per-cent GDP growth—and we do think perhaps later in the year that there will be an export-led rebound because export competitiveness can grow with a very competitive currency.

Continental Europe is another area that we are looking at actively and we continue to be overweight in our global funds. The simple reason we are overweighted in continental Europe is because your average company in continental Europe is much more competitive now than they were two to three years ago. And the euro is just going to introduce more simplicity to that process. We are expecting economic conversions as a result of the introduction of the euro. You are already starting to see a little bit of that but think of how it simplifies everyone's life. Risk managers at your average corporation aren't constantly worrying about currency translations and the bottom line in profitability. It obviously simplifies the purchasing decision for goods and services in many cases. I'm not saying the euro is a cure-all but certainly it is constructive for the equity markets in the euro zone in our opinion. As a result we remain overweighted in continental Europe and we are slightly underweighted in the U.K. who as you know is not participating actively in the euro zone.

We expect the sterling to undergo some pressure over the next six to 12 months. We expect its economy to continue to slow down, not that it is going to stagnate or go into recession although there is a chance of recession. I have heard the "R" word uttered there. But again we just don't think the market will be quite as competitive as those in the euro zone. So again we remain overweight in continental Europe.

We remain underweighted in South-East Asia and one of the key reasons is liquidity. You just haven't seen liquidity return to those markets in the manner it was in

1994 and 1995 for instance. The same goes for Latin America. Fortunately we had a zero weight to Latin America in our international funds. When the Brazilian market tanked yesterday and it continues to tank today we didn't have to worry about it because we had net zero exposure to that country. That's not to say that you can't make money in these markets because you certainly can and there will be an opportunity but when you are running an asset allocation fund or you are running a multi-country fund we are of the camp that says we would rather wait for the elevator on the second floor rather than go down to the basement and try to take the elevator from the basement all the way up. We will wait for some concrete signs of a turnaround and a concrete sign of liquidity returning to these markets before we will just jump right in with both feet. It's not to say we won't invest in them; it is just to say that there are some issues to contend with in smaller markets in South-East Asia and Latin America and we are not entirely comfortable in deploying our assets there at this time.

Japan's in the news a lot lately. And to tell you the truth our opinion on Japan is we are really looking for a reason to add to our assets in Japan. Currently we are slightly underweighted relative to our composite index and again it looks like in Japan the slump is bottoming out; there has been a massive government stimulus. It looks like it is doing the right things to reform the markets. However there still is the liquidity issue and the way I like to refer to Japan is they are going slow and steady but we are not ready. We are not ready to invest there yet or at least overweight our positions there although we are looking and there are some rather extreme opportunities in the small cap arena in Japan. However again it is a matter of liquidity; it is a matter of keeping your risk profile consistent in your funds. Again there will be money to be made in Japan at some point but you have got to get the consumer going in that country before true liquidity will return to that market.

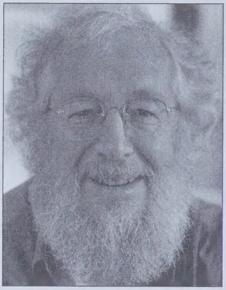
And I'm sorry to keep referring to that word liquidity but I can't tell you how important it is in determining our investment decisions because, as an ex-bond manager, one of the biggest mistakes you can make as a bond manager is buying a security strictly because it is cheap. What I mean is you buy some esoteric corporate bond that hardly trades and you think you have got a great deal on it until you go to sell it and there are no buyers. There is a great story where someone running a quantitative fund at one of our competitors went to sell a rather complex structured note that he had purchased earlier in the year to a broker. He said: "Well what will you give me for this?" And while he was figuring it out the broker said: "My computer model says it is worth 85." The broker said: "I'll give you 25 for it." The person goes back with: "But my computer model says it is worth 85." The trader said: "Then sell it to your computer. The bid is now 20." So that's what I mean when I say liquidity means everything to us.

So again my overall view is constructive on North America. It is constructive on the U.S. It's constructive on Canada, not as much now as it probably could be in about six months. I don't think you are going to make a lot of money in the Canadian equity market this year but when I look at 10-year average annual returns and see that the Scotia McLeod bond index is beating the TSE 300 over 10 years on an average annual basis that'll make an asset allocator have fits and starts about where to put assets. I think the U.S. will have a decent year. I think Canada will have a positive year in the equity markets although it could be on the light side, 3 to 7 per cent. I think continental Europe will be favourable this year and I think we will see that story pan out over the next six to 12 months. I think South-East Asia is going to continue to be a difficult place to invest although at some point and it's not right now there's going to be a nice return to be made from going into Latin American countries and going into South-East Asian countries. That would include Japan as well. We are just not quite there yet. We are waiting for some flash signals.

So again I would like to thank you all for having me here today and it was a real pleasure speaking to you. Thank you.

The appreciation of the meeting was expressed by Blake Goldring, CFA, President and COO, AGF Management Ltd. and a Director, The Empire Club of Canada.

Tammy Mohammed, Grade 11 Student, Bloor Collegiate Institute, Rev. Vic Reigel, Honorary Assistant, Christ Church, Brampton and George L. Cooke, President, The Empire Club of Canada and President and CEO, The Dominion of Canada General Insurance Company.



January 21, 1999

Allan King

President, The Directors Guild of Canada

CREATING A HEALTHY BASE FOR CANADIAN FEATURE FILMS

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Ken Shaw, National Editor, CFTO Television and a Director, The Empire Club of Canada; Rev. Vic Reigel, Honorary Assistant, Christ Church, Brampton; Tammy Mohammed, Grade 11 Student, Bloor Collegiate Institute; Elizabeth McDonald, President and CEO, CFTPA (Canadian Film and Television Production Association); Piers Handling, Director, Toronto International Film Festival Group; The Hon. Isabel Bassett, MPP, Minister of Citizenship, Culture and Recreation; Peter Grant, Partner, McCarthy Tetrault; Robert Morrice, Head, Media and Entertainment, Royal Bank of Canada; and Ann Curran, Partner, Lewis Companies Inc. and Third Vice-President, The Empire Club of Canada.

Introduction by George L. Cooke

It is my pleasure to introduce as our guest speaker today, Mr. Allan King, President of the Directors Guild of Canada. The Guild is a national labour organisation representing 5,000 key creative and logistical personnel in the film and television industry. In 1962, the Guild began as an association of creative film directors and expanded into all areas of the production, design and editing of film and television in Canada.

Last August, when we agreed to have Mr. King speak to our Club to "celebrate the accomplishments of our better known directors and also the sophistication of the industry," who would have thought that today's headline in The Globe and Mail would read: "Panel wants mandatory Canadian films on TV." I would like to tell you that we were clairvoyant—but it is not so. We are, however, a relevant, non-partisan, speakers' forum that encourages and enables informed and constructive speakers to express their views.

Allan King is one of Canada's leading filmmakers. His prolific career spans four decades. As an independent filmmaker, Mr. King opened a studio in London, England in the early 60s. He pioneered the then novel techniques of cinema vérité and "direct cinema" and he garnered a reputation as the most innovative and controversial director in Canadian film.

By the mid-60s, he moved toward a genre he describes as "actuality drama" shaping spontaneous action into dramatic form to explore personal experience.

I don't have the time to list all of Mr. King's many awards and accomplishments, but I must highlight a few.

His film "Warrendale" was acclaimed by Jean Renoir as the most remarkable documentary he had ever seen. It won the Prix d'art et d'essai at Cannes in 1967 and shared the British Academy's Best Foreign Film Award and the New York Critics' Award.

He followed this success with "A Married Couple," described by Clive Barnes, the New York Times' Critic, as one of the best films he had ever seen.

In 1983, Mr. King offered one further essay, a two-hour documentary on unemployment, "Who's in Charge?" It earned him his most treasured epithet: "Media Monster of the 1980s." Despite the rage it aroused, the programme received invitations to the Toronto and London Film Festivals.

Allan King made his first dramatic feature film, "Who Has Seen The Wind?" in 1976. It won the Grand Prix at the Paris International Film Festival and the Golden Reel Award for the highest grossing Canadian film of the year.

His "Ready for Slaughter" won the Banff Festival's Best TV Drama in 1983. Mr. King has also directed many episodes of the Emmy Award winning series "Road to Avonlea," earning a Gemni Award for Best Direction in 1992.

In 1988, Mr. King was given the Ontario Film Institute Award for Excellence in Canadian cinema. And, in 1998, he was awarded the Lifetime Achievement Award from Hot Docs, the Canadian

International Documentary Festival, in recognition for his long and distinguished career.

Mr. King, welcome to The Empire Club of Canada.

Allan King

Good afternoon, ladies and gentlemen. I am delighted to have the opportunity to talk to you, though I never speak without remembering the painter, Bruno Bobak, who said that all artists should have their tongues cut out so that they can't talk about their work or about cultural politics.

For those of us concerned with freedom, cultural sovereignty and public policy in film and television, this has been the most interesting year in a decade. Last spring the CRTC rightly thought it wise to call for a top-to-bottom review of television policy. At about the same time the Honorable Sheila Copps, Minister of Canadian Heritage, called for a comprehensive review of feature film policy. Although feature films and television drama face the same problem, policy for them has been strikingly different.

The problem is this. With the exception of the United States of America, no country in the western world is able to sustain its own film industry without government funding or regulation. This is not because Americans have innate superiority as creative artists. It's because they have a home market four times and a language base 10 times greater than their closest competitor. It is also because the size of their budgets—now over $55 million, plus $20 million for promotion—dwarf the average budgets of films anywhere else in the world.

The size of their home market assures American producers huge economies in the relation of cost to income and allows their product to be dumped, in effect, in other countries. It is an advantage that overwhelms competition in all markets.

Therefore, if a nation wants its own film and television entertainment, it must subsidise it. Two questions arise:

Is there any real value in being able to hear your own voice in your own home? If so, what is the most effective way of enabling this?

The first question is about identity—a subject so chewed over in Canada that one hesitates to tackle it again. But the issue has absorbed me most of my life—obsessively for the past four or five years. It is at the heart of the feature documentary I have just finished. The film is set in Estonia and is called "The Dragon's Egg."

There are only a million and a half Estonians and one-third of them are Russian speakers—most of them put there by Stalin. The Estonian Estonians say it's like having a dragon's egg laid in your nest; you wait in fear for it to hatch. Canadians have a phrase about elephants, mice and sneezing. Quebeckers fear being lost in an Anglo mer de merde. The fear of being overwhelmed by another culture or country is a fundamental one. Can a society survive without real internal communication? Perhaps. Estonians say they have survived for the past five thousand years by hiding in their impenetrable forests and language—but small as it is, Estonia subsidises broadcasting and feature filmmaking.

Do we need a distinct identity?

Child studies show that one cannot fully mature without a clear sense of both personal identity and identification with a group. Psychiatrists say that nothing is so horrifying as the loss of identity; it's at the heart of schizophrenia.

There are two opposing forces grappling for dominance in the world. The first is the concept of a popular culture originating in Hollywood and distributed worldwide by multinationals around the world. Some have dubbed this the McWorld idea of culture.

An opposite force is at work in some countries, which focuses on censorship and protectionism. So concerned are these countries with the attack by McWorld on their value systems that they try to ban that expression. That focus on fundamentalism has been called the Jihad idea of culture.

Both theories of cultural dissemination, the McWorld concept and the Jihad concept, are opposed to true cultural diversity where cultural dissemination is a two-way street. Cultural diversity implies a world where no one view of life dominates cultural expression, a world where we are able to see and hear stories from a number of cultures, including our own, and where we celebrate differences instead of trying to obliterate them.

Only when differences are acknowledged and accepted can those who hold them feel safe enough to see the much broader field of common values which they and all humans share. Understanding comes from communication and being able to put oneself in the place of the other—to see the view from both sides—that of 'us' and 'them.' And it is in the field of art and entertainment that values are pre-eminently expressed. The evidence? Observe your children in front of a television set watching cartoons or movies.

In English Canada we have always been in danger of being unable to see the world even from our side. Canadian films have less than 1 per cent of screen time in English Canada. The U.S., by contrast, offers about 2 per cent of its screen time to the work of all other countries of the world combined.

In television drama we do better. Over the past few years, through a combination of regulation and public funding, our television networks have been exhibiting about 3 1/2 hours of original Canadian drama a week in prime time. It was thought a bold stroke (Izzy Asper called it dangerously socialistic) for the Directors Guild and others to propose that the CRTC ask each Canadian TV station or network—as the price of its licence to print money (the phrase of another great Canadian television baron)—to include an hour a night of Canadian entertainment, seven nights a week in prime time—in effect doubling the 3 1/2 hours to seven. And we asked that broadcasters spend 7 per cent of their budgets on these programmes so they might be well made.

It seems a modest enough proposal. It asks less than any other western country already provides and it has taken us four decades to reach even this level. But if you started your career at the beginning of television in Canada, as I did, the growth of Canadian content on TV is astonishing. It didn't happen by chance. It is the direct outcome of prudent, incremental government policy. There are two strands—one for television, the other for feature films. Television policy has been an outstanding success. Feature film policy has been hog-tied.

Since television is under federal jurisdiction it was possible to put an economic structure in place which acted in the public interest. This began with the CBC as the first solid base for Canadian content and for the fostering of Canadian talent. Private stations were then allowed to develop into networks, to offer competition to the CBC, but were required to show a growing level of Canadian content. Finally, the independent production sector was created, again by public policy, through Telefilm Canada. And a real market for talent and creativity resulted. An industry was developed and this is precisely what the Broadcasting Act and the Canadian Film Development Corporation were asked to do.

These policies vastly increased the number, quality, and, especially, the diversity of Canadian television drama, for example "Traders," "Emily of New Moon," "DaVinci's Inquest" and "Lexx." At the same time, the volume of American production here in Canada grew exponentially. The role of the low cost of the Canadian dollar is well known, but the size and skill of the talent base, which was created directly out of public policy initiatives, were equally important.

We have not yet created a healthy base for Canadian feature films, but we have certainly learned why.

Theatrical exhibition and distribution fall under provincial law. Eighty-five per cent of Canadian distribution is in the hands of six major Hollywood studios. Two of them own almost all Canadian theatres. As an oligopoly, the majors dominate every aspect of the entertainment world—from film and television production to music recording, publishing, broadcast and cable TV and theme parks. Their sole obligation—quite rightly—is to their shareholders. The majors are all but unreachable by public policy. Therefore it has been remarkably difficult to affect the structural economics of feature filmmaking in Canada. The policy instruments so successfully applied to create a Canadian television industry have been impossible to apply through provincial theatre acts.

We have achieved outstanding success with such films as "Crash," "The Sweet Hereafter" and "The Red Violin." Their gifted directors, David Cronenberg, Atom Egoyan and Francois Girard regularly contribute world-class, original work. Promising new talents like Lynn Stopkewich, Jeremy Podeswa and Thom Fitzgerald are emerging. But far too few of our features reach the market with the promotional support they deserve. We have at last got one mini-major distributor with Alliance Atlantic. We need at least two or three more. That, too, will happen only through government policy; the muscle of Alliance's theatrical distribution depends on its good fortune in having landed and retained the rights to the Miramax and New Line libraries.

Most other Canadian theatrical distributors work under a crippling handicap. Few international films are available to them. North American film rights are tied together as one market. If you want distribution of your film in the United States, you must also sign over Canadian rights. Film rights must be separated. Canadian rights to independently produced films must be opened to bidding from Canadian distributors. We need a real market.

Why are feature films so important? Because feature films are at the heart of a healthy audio-visual culture. They are its most creative and rewarding expression. We pay to see them in theatres. We buy them at video stores. Only after they have moved through the market are they offered up for free, like TV drama, as filler for commercials.

It is in feature films that new worlds of feeling are explored. This is where exciting new discoveries are made. At their best, feature films rise beyond entertainment. Entertainment is something that holds and refreshes us between the more gripping engagements of real life. Art aims to make real life meaningful. It is our primary way of exploring and expressing feeling. From cave paintings to the present day, art is humankind's way of learning, of 'playing at life,' as it were, without getting killed. It allows us to 'experience' experience. Loving and hating are at the root of all feeling and feelings are at the root of all action and of all value judgments. The real world now changes with dizzying speed. A society that is unable to ground its values freshly in the midst of this change will inevitably endure intolerable social stress.

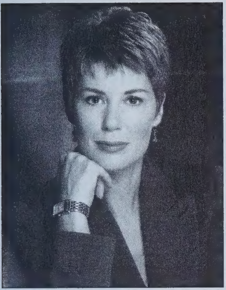
Making feature films attracts our brightest and best. Without a vibrant feature film industry, we will always and inevitably export our best talent. It is a culturally devastating loss. It is also a preposterous economic waste. Imagine mobilising our educational system to train doctors, scientists, engineers and entrepreneurs in order to send the most brilliant of them abroad to serve and enrich another economy? That is what we do in film.

The Feature Film Advisory Committee is submitting its recommendations to the Minister for Canadian Heritage today. Based on wide consultation throughout the industry, it will recommend that a minimum of $150 million be directed to feature films, with 100 million of these dollars coming from redirected present funds and $50 million in new federal funds. As balloons were floated about where the money is to come from, you could hear the cries coming from every corner: Not me! Not me! Distributors fear a modest tax will damage them, though they are most in need of government assistance. If we move to amend our Competitions Act to open the market to fair bidding for non-proprietary films, you know who will scream. The furore has already begun.

The last time I spoke about the future of Canadian feature films was shortly after NAFTA was signed. There was intense debate on whether or not it secured our freedom to exercise 'cultural sovereignty.' We are perfectly free to pass Bill C55 and protect Canadian magazines from the unfair competition of split-run magazine imports, but the price is a threatened trade war and three or four billion dollars in retaliatory levies on Canadian exports. Some sovereignty! Some freedom! The United States demeans itself by such intolerance. After a decade of unmatched prosperity, the U.S. can surely afford to give others room to speak—especially in their own homes. The world needs more diversity, not less. Diversity enriches us all.

But, finally, the problem is ours. It's time to put aside petty squabbling, to give up warring with ourselves, to stand up. Not for a decade has a minister had the courage to champion the extraordinary potential of Canadian films. Let us give her the united support she deserves. It is time for us to summon the nerve to author our own destiny.

The appreciation of the meeting was expressed by Ann Curran, Partner, Lewis Companies Inc. and Third Vice-President, The Empire Club of Canada.



January 27, 1999

Sonja Smits

Actress, Star of "Traders"

LITERACY IS MORE THAN READING A SPEECH TO THE EMPIRE CLUB OF CANADA

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Rev. Canon Paul Feheley, St. George's Anglican Church; Yollanda Zhang, Student, Vice-President of Student Council, Jarvis Collegiate Institute; Julie K. Hannaford, Partner, Borden & Elliot and a Past President, The Empire Club of Canada; Dr. Frederic L.R. Jackman, President, Invicta Investments Incorp. and a Past President, The Empire Club of Canada; Ann Libby, Owner, Libby's of Toronto Art Gallery and a Director, The Empire Club of Canada; Arlene Perly Rae, Author, Leader of United Way's "Success by Six," active in Campaign Against Child Poverty and Chief Judge of Christie Book Awards; Stanley Hartt, Chairman, Saloman Smith Barney Canada Inc.; Dr. Fraser Mustard, Founding President, Canadian Institute for Advanced Research; Trina McQueen, President, Discovery Channel; Knowlton Nash, Noted Author and former CBC Broadcaster; and Gordon Pinsent, distinguished Actor, Writer and Playwright.

Introduction by George L. Cooke

Many of you will recognise our guest speaker today. She is one of Canada's most highly regarded actors and currently is star of Thursday night's "Traders" on Global. Sonja Smits is also a member of the Honorary Board for Performers for Literacy and is here today in that capacity to speak on the critical issue of children's literacy.

Performers for Literacy is a nationally registered children's charity whose goal is to prevent illiteracy by developing and fostering a reading culture in Canada. Celebrities and community leaders volunteer their time and talent to bring glamour and excitement to the message that reading is important to children everywhere. The organisation promotes a love of reading through two programmes : "Kids-Lit," a 45-minute interactive production that teaches children how to use their communications skills, and The Second Story Reading Centres which currently operate out of malls. The programmes reach over 150,000 children (from pre-school to teenage) each year through more than 300 reading shows, dozens of public appearances and 800 hours of programming.

In her spare time from her heavy involvement with Performers for Literacy as well as numerous other children's issues and causes, Sonja has managed to develop a very impressive career. She is very familiar to Canadian and international television audiences. For six seasons, she starred as Carrie on "Street Legal," for which she received a 1993 nomination for Best Performance by a Lead Actress in a continuing role, and a 1988 Gemini Award for Best Performance by a Lead Actress in a Dramatic Program. Sonja received rave reviews for her performance in the television movie "The Diviners," which earned her a third Gemini nomination, and she received an ACTRA for Best Performance by a Lead Actress for her role in "War Brides."

Sonja has also lent her talents to such popular television movies as "The Last Man on the List," "Spenser: Pale Kings and Princes," "Command Five" and "Tyler." Her numerous television credits include "The Outer Limits," "The Ray Bradbury Theater," "The Fall Guy" and "Falcon Crest." She has also appeared in a television adaptation of the acclaimed George Walker play, "Nothing Sacred." Ms. Smits received her first Genie nomination for Best Performance by a Supporting Actress for her role in David Cronenberg's cult classic "Videodrome." She earned her second Genie nomination for Best Performance by a Lead Actress for her performance "That's My Baby."

Ms. Smits has also starred in numerous stage productions including "Nothing Sacred," "Uncle Vanya" and "A Midsummer Night's Dream."

Sonja lives in Toronto with her husband, Seaton McLean and their two children.

Ms. Smits, welcome to The Empire Club of Canada.

Sonja Smits

Good afternoon. Thank you for inviting me, on behalf of Performers for Literacy, to speak about a subject that is very dear to my heart. As a performer, my art is centred around words; they are the medium through which I communicate to audiences everywhere. Reading is and always has been a great pleasure for me. As a child, my mother read to me every night. It was often my favourite part of the day. It opened up other worlds and possibilities. As an actor, I've continued that tradition of story-telling.

Literacy is fundamental to my work and to my life. And, as we face a changing society, solid reading and writing skills are the two constants we know are important for success. The more our children can develop these skills, the better prepared they will be for the future—whatever form it takes. But literacy is more than being able to read. It is an essential means of full participation in society. Literate adults are healthier, more involved in their communities, and better parents themselves. Literate children are less likely to be in trouble with the law, better balanced, and healthier. This is why, today, I would like to explore some of the reasons why we must do everything possible as a society to value and encourage reading.

I am often asked about whether we really do have a literacy problem in Canada. This is understandable, since we have universal access to primary and secondary education. However, as you will see, school is only one element of building a literate society.

In fact, Canada has a formidable literacy problem. Today, literacy involves much more than the simple ability to read and write. It includes three skills: the ability to understand and use prose (like reading a newspaper or a book); the ability to use documents (like maps or job applications); and the ability to use numbers (such as filling in an order form). We measure literacy on five levels, level three being the minimum level of skills needed to cope in our modern society. Sadly, a recent OECD study found that only 57 per cent of Canadians are deemed to have the levels of competence needed to function adequately. Although, this is better than the U.S. literacy rate, it is well behind Sweden's score of 75 per cent.

This means that in spite of universal access to education, 43 per cent of Canadians are below minimum literacy standards (that is, they can't read or are limited to a few words). An additional 34 per cent of Canadians are at level three and so can use only simple reading materials.

There are three reasons why literacy is important to our nation. First, it tells us how we're doing as a society. It is generally accepted that two important indicators of the success of a society are the level of literacy of its children and youth, and the disparities in children's skills relative to their differing family backgrounds. These indicators are a report card on how our investments in the past decade have been translated into skills and competencies in the present generation. As such, they are important measures of both the effectiveness of our past investments and of our future success as a society.

Second, poor literacy skills are often at the root of social and economic problems. The International Adult Literacy Study found that an unemployed person is about three times as likely to be at the lowest level of literacy compared to someone who is employed. And those people who receive income support have lower literacy levels than those who do not. Overall, the cost of illiteracy in Canada is more that $11 billion annually.

Third, literacy is even more important in a time of technological change. With the rapid development of today's 'information society,' Canadians with poor literacy skills are increasingly at risk for long-term unemployment. This is because rapid change requires highly skilled and flexible workers who can adapt to an environment of continuous learning. A literate and educated population is the key to capitalising on and adjusting to structural change. Literacy has a direct effect on the ability of people to maintain an economic edge in an intensely competitive environment.

In periods of profound technological change, such as we are experiencing today, with all their associated changes in wealth creation and distribution, many individuals, particularly the young, are at risk. This is why we need a better appreciation of how a healthy wealth-creating sector is positively related to education, health care, and the support of children. They are key parts of the infrastructure for all innovative economies.

But literacy skills not only contribute to success or failure in the labour market, they are also the threads of a nation's social and cultural fabric because they help people participate actively in society. Literate people are more independent and have a better quality of life than those who have difficulties reading. For example, illiteracy is a health issue because adults with limited literacy face serious problems using the health-care system.

While we need programmes to remediate adult illiteracy, an even bigger issue is how can we change the outlook for the next generations of Canadians. The statistics show that education alone is not the answer. While there is a clear relationship between educational attainment and literacy levels, education does not 'fix' a person's literacy skills for a lifetime. Canadian culture must also promote literacy. As The Ottawa Citizen noted, "Some of the credit (for the high Swedish literacy rate) is due to a very real 'culture of literacy.'"

There is currently an ongoing debate about what should be done to improve literacy levels. I'm sure you've all heard the din. Parents worry about the quality of schooling. Schools worry about the quality of the support they're getting. And both tend to feel that governments should do something about it all. No wonder the general public is confused by all this finger-pointing and about what should be done.

What we know for sure is that both literacy and illiteracy are cycles. Studies have found that "the development, maintenance and improvement of literacy skills are strongly linked to usage," that is, reading books and newspapers, reading reports, writing memos and letters, or visiting the library. How can we reinforce the literacy cycle in children? I believe it takes a concerted approach—in our families, our schools, and in our social policies.

The family is the single most important milieu for breaking the cycle of illiteracy. Child development experts, such as Dr. Fraser Mustard, have shown that those children who are most at risk for low literacy are those who do not receive the necessary support and stimulation during their childhood, particularly during their pre-school years. What happens during the first few years of a child's life has long-lasting effects on many aspects of his emotional, physical and cognitive well-being.

For example, lack of readiness for schooling leads to increased risk of behavioural problems in school and ultimately to failure. These lead to low levels of well-being in adulthood. And parental involvement in learning continues to be an essential supplement to school throughout a child's elementary school years and beyond.

At this level, we really do know what works to improve a child's learning abilities for a lifetime and it isn't really mysterious. Speaking and reading aloud to children have been shown to be the most important things we can do to prevent illiteracy in the next generation. A parent and child reading together not only helps that child develop reading skills, it also addresses the child's need for nurturing. A recent Health Canada conference on investing in children concluded:

> If it makes sense to use the term "quality time" for [one type of parental activity] then reading to the child would qualify... Regular reading to a child during the toddler and pre-school years has even stronger effects on behaviour than the overall level of parental engagement with the child. It was also significantly related to the child's pre-school vocabulary skills.

Reading together not only helps a child to see that reading is enjoyable, it is a routine which combines emotional closeness, joint attention to an interesting activity, and an opportunity for fun. These activities not only improve reading readiness, they also positively affect a child's ability to self-regulate, his general cognitive skills, and his ability to handle numbers.

But the benefits don't stop there. Reading with older children stimulates their listening and comprehension skills, builds vocabulary and concentration, and improves their general knowledge. It is unfortunate that studies show that reading aloud to children almost stops by the time a child is 11. Hearing from community members and role models about the importance of reading in their lives further emphasises the value of reading. Children who learn to enjoy and treasure reading are more likely to continue to read throughout their lives.

Thus, in families, we can reinforce the literacy cycle with family literacy. Even small changes in family reading activities with children will have major impacts on their development and well-being in the long-term.

Schools also have a part to play. There is a clear relationship between educational attainment and literacy levels. However, we are still not exactly sure about the nature of this relationship. While schooling may lead to higher literacy, low literacy levels may also contribute to a decision to leave school.

We do know that some schools develop literacy skills better than others. After five years of schooling, a student with average ability attending a 'good' school is more than a full year ahead of comparable children attending a 'bad' school. This is even after taking into account socio-economic backgrounds. This difference is equivalent to having two additional months schooling per year! Some of the things which make a significant difference to performance in our schools are: parental involvement in schooling; the disciplinary climate of the school; and high expectations—the belief that all students can master the curriculum.

So, learning readiness isn't everything. Schools need to do a better job of helping children to learn—whatever learning styles and backgrounds they have. And all children deserve what the best schools have to offer.

However, the effectiveness of our schools is also affected by farther-reaching social and economic factors which can only be addressed by government policy. Can government policy promote literacy? Yes. As I pointed out earlier, there are significant differences in literacy levels between developed countries. This suggests that government policy can indeed affect literacy levels.

We know that literacy skills are required every day—and daily practice of reading, writing, and calculating sustains and enhances them. What Canadians do at work, at home, and in the community are critical in determining the population's literacy levels. And, in most cases, the workplace is much richer than the home in terms of opportunities for reading. We also know that the prevention of illiteracy circumvents both the economic and personal costs. All of these are issues which can and should concern our governments.

To me, for governments, the diagnosis is clear and the treatment is straightforward. First, governments must do all in their power to encourage and promote reading. This starts with the messages we send. Is it not a fundamental contradiction to be promoting a well-educated and change-ready society while at the same time taxing the means whereby this society is created?

We know that taxation discourages consumption. That's why we levy massive taxes on such things as cigarettes and alcohol. When a parent walks into a store to buy a book for her child, what are we saying to her when taxes increase its cost by 15 per cent? When a new Canadian finds that Canada taxes its reading material, what does this tell him about what our society values? If reading is the key to full participation in our society, how can we possibly justify a tax that essentially discourages access to it?

Second, government should recognise the role it has to play in supporting existing literacy charities and stimulating private-sector giving. We have a large number of excellent and innovative literacy initiatives in Canada at present. Yet, current government policy forces existing literacy organisations to starve while new ones are continually being created. This is very short-sighted and counter-productive, since usually, the first few years of a new project are its least productive. It also creates many overlapping administrations. As John O'Leary from Frontier College pointed out recently, "What we need is better funding for the organisations we have, NOT funding for new literacy projects."

Today, even with a strong commitment, excellent materials, and worthwhile programmes, it can be extremely difficult to replace a core portion of government funding with private-sector funding. Very few private-sector organisations and foundations will provide any sort of operational funding—even though things like telephones and audits are essential to the operation of any charity. The private sector wants to fund the new projects itself and it wants the publicity associated with project sponsorship. If everyone wants to fund new projects and no one wants to fund essential operations our literacy charities will rapidly die off.

While the government must guard against existing charities getting “fat and happy” at the public trough, guidelines can be established to keep them “lean and mean” without completely eviscerating them.

Third, governments can create incentives. We know that people respond to incentives, even if they are not aware of doing so. If activities in the home offer fewer rewards than do activities outside it, then people will change how and where they spend their time. While these changes in behaviour may be small, taken as a whole, the net effect can be great. Today’s social environment influences our incentives in many ways. For example, many more families have two parents who must work. There are few options for high-quality flexible or part-time work. Parental leave is limited to a few months. Perhaps it’s time to take another look at how we support families with preschool and young school-age children to encourage the cycle of literacy.

Today, because of what we now know about literacy and the changes which are occurring in society, there are two important literacy issues which need to be better addressed by parents, schools and governments.

The first is family literacy. Until recently, literacy work has focused on remediating adults. We now know about the importance of early childhood development in preventing illiteracy. Illiteracy prevention starts with children who see adults read. Hearing from other community members and role models about how they value reading and what an important role reading plays in their lives further emphasises the importance of reading. If children learn to enjoy and value reading when they are young, they are more likely to continue to read throughout their lives.

Unfortunately, family literacy is still the ‘poor relation’ of the literacy movement in Canada, although groups focusing on early childhood development are beginning to embrace it with enthusiasm. Literacy organisations and government agencies devoted to literacy need to do more in this critical area to create a very positive culture around literacy.

Second, we need to recognise the importance of technology in literacy development. Technology is becoming an increasingly important means of access to knowledge. However, you must not only be literate to use it, you need to have a new kind of literacy to take advantage of what it has to offer—technological literacy. Here, too, there are great socio-economic disparities developing. Governments, the private sector, and social support groups are growing increasingly concerned that society's benefits will only be realised by those who can afford the technology to get at it. Statistics Canada has found that the richest 20 per cent of households are four times more likely to have a computer than the poorest ones. IBM's 1997 white paper, notes that: "There is a real risk that societies in this new age will divide into information haves and information have-nots." It concludes that we all have a responsibility to support public programmes that promote universal access. Thus, the future could bring even more inequities via technology, or it could be used as a means of levelling the playing field and bringing greater opportunities to all. This, too, is an important new issue in the field of literacy.

There are some exciting new programmes which take a different approach to literacy than we've done in the past. More needs to be done to provide incentives for parent/child reading. To encourage families particularly the underprivileged to do this requires innovative approaches to family literacy.

For example, I am involved with Performers for Literacy—a national charity designed to do just this. It takes advantage of the appeal, recognisability and glamour of professional performers to bring literacy programmes to parents and children and to teach them, through entertainment, the value of reading together. PFL is unique. It is the only national illiteracy prevention organisation in Canada. Our programmes are specifically designed to support and enhance family literacy and to teach parents how to be learning and reading partners with their children.

We use non-traditional, non-threatening environments such as shopping malls to reach out to people who wouldn't take advantage of other types of programmes. For example, our Reading Shows use live performers to show children about how reading can be fun. Hundreds of performers across the country donate thousands of hours to bringing words alive for children in this way. Our shows have been performed in schools, shopping malls, libraries, parks, and hospitals.

A second programme we're really proud of is our Second Story Reading Centres. Shopping malls donate over several hundred thousand dollars of space and services annually to bring PFL permanently to their community. Located in community malls, and with beautiful artwork and cosy atmospheres, the Second Stories are magical places for families to experience the pleasures of reading in a variety of ways.

Fittingly, PFL launched its newest literacy programme on television. Perhaps you've seen it. "Read It Again!" is a collaborative effort between PFL, TV Ontario, and The Atkinson Charitable Foundation. Designed to bring the Second Story experience to all the children in Ontario, "Read It Again!" consists of four short, single-story segments featuring top-quality children's literature and well known Canadian performers. "Read it Again!" will spread the PFL experience to hundreds of thousands of young children in their homes over the next three years.

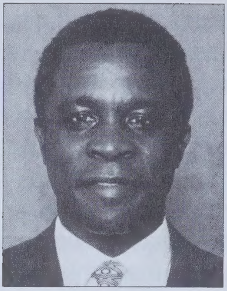
PFL develops partnerships with many different and non-traditional groups and organisations to bring the love of reading to every child in Canada. We mobilise over $2 million per year in volunteer time and in-kind donations to literacy. With the support of every performers' union in Canada, shopping mall chains, television and cable companies, publishers, as well as schools, libraries and literacy organisations, PFL demonstrates how strong, collaborative partnerships can be developed to promote family literacy.

PFL is just one example of how we can mobilise resources from many parts of society to create a true culture of literacy. If you take one thing away from this talk today, I'd like it to be this: Literacy is more than reading. Literacy is an investment with a huge return in all parts of our society. Because of this, creating a literate society is everyone's job. It cannot be left to literacy charities or schools or governments. We all can and should be part of the cycle of literacy promotion. The easiest and cheapest way to begin is in our own homes and communities. Read to your children or grandchildren; read to other people's children; volunteer to read at a school, hospital, or library. Model the literacy cycle for all to see.

Today, I've tried to tell you some of the reasons why I feel so passionate about literacy. I would like to conclude with a poem by Strickland W. Gillilan which captures simply and eloquently what I have been talking about today.

> You may have tangible wealth untold
>
> Caskets of jewels and coffers of gold.
>
> Richer than I you can never be,
>
> I had a parent who read to me.

The appreciation of the meeting was expressed by Julie K. Hannaford, Partner, Borden & Elliot and a Past President, The Empire Club of Canada.



January 29, 1999

Dr. The Hon. Keith C. Mitchell

Prime Minister of Grenada, Carriacou and Petit Martinique

GRENADA: READINESS FOR THE 21ST CENTURY

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Thomas L. Wells, President, T.L.W. Consulting, former Ontario Minister of Intergovernmental Affairs and a Director, The Empire Club of Canada; Rev. Kim Beard, Rector, Christ Church, Brampton; Sandy Cabral, Student, President, Student Council, Monarch Park Collegiate Institute; Alvin Curling, MPP, Scarborough North; George Bullen, High Commissioner, Organization of Eastern Caribbean States; Jean Augustine, MP, Etobicoke-Lakeshore; Catherine Charlton, Chair, Royal Commonwealth Society, Toronto Branch and a Past President, The Empire Club of Canada; Michael Viechweg, Consul General of Grenada; and Sandra Whiting, President, Black Business and Professional Association and a Director, The Empire Club of Canada.

Introduction by George L. Cooke

We are indeed pleased to have with us today, Dr. Keith Mitchell, Prime Minister of Grenada, Carriacou and Petit Martinique. If there had been any doubt—pending the outcome of the January 18 elections—that Dr. Mitchell would be speaking today as the incumbent Prime Minister, it was certainly erased with the results of his landslide victory.

Dr. Mitchell is visiting Toronto to participate, as guest of honour, with nationals, their families and friends in the 1999 Independence Silver Jubilee Celebrations, marking Grenada's 25 years of independence, since February 7, 1974.

In his capacity as Prime Minister, Dr. Mitchell has served as Chairman of the Caribbean Community (CARICOM) from January to July 1998, as Chairman of the Board of Governors of the Caribbean Development Bank from May 1997 to May 1998, and has been responsible for Science and Technology and Human Resource Development for CARICOM since July 1995.

Dr. Mitchell became a Member of Parliament in 1984. He served as Minister of Works, Communications and Public Utilities in the New National Party government from 1984–1989 and continued as an Opposition Member of Parliament. He was elected political leader of the New National Party in 1989. He successfully led the NNP to victory in the 1995 general elections and became Prime Minister on June 22, 1995.

Dr. Mitchell led the NNP to an unprecedented victory on January 18, winning all 15 constituencies and being the first Prime Minister since independence to win two consecutive general elections.

Dr. Mitchell attended the University of the West Indies, where he received his Bachelor of Science degree in mathematics and chemistry in 1971, followed by a Masters degree in mathematics from Howard University and a Doctorate in mathematics and statistics from the American University.

Dr. Mitchell was a teacher at the Presentation Brothers College from 1972 to 1973 and a mathematics professor at Howard University from 1977 to 1983. He also worked as a professional consultant to several government and private corporations in the United States.

Dr. Mitchell's primary interest outside politics appears to be in the field of sports, specifically cricket. He is an avid cricket player and fan and supports many sporting events through personal sponsorships.

Dr. Mitchell is currently writing textbooks for ordinary and advanced level mathematics.

Dr. Mitchell, his wife Marietta and son Olinga reside in Granada.

Dr. Mitchell, welcome to The Empire Club of Canada.

In the first place let me express my sincere appreciation to the President and members of The Empire Club of Canada for inviting me to be the guest speaker at this prestigious luncheon meeting. This meeting comes on the heels of an overwhelming victory of my party, the New National Party (NNP), at the January 18 polls in Grenada. For the first time in our nation's history, a party has won all the available seats in the House of Representatives.

I believe that one of the main reasons for our astounding victory is that the Grenadian people have recognised the NNP to be the only party with a vision and with credible and attainable plans to position Grenada for advancement in the 21st century.

For my part, I have spent many years in North America having studied and worked there. I decided, over 20 years ago, that I had to return to Grenada to bring positive change to the land of my birth and, as fate would have it, I have been the Prime Minister since June 20, 1995. I am committed to raising the standard of living of my tiny island nation. Over the next seven years, our plan is to double our existing per-capita income, to achieve sustainable growth and to reduce unemployment by half. We achieved a reduction from 28 per cent to 14 per cent within 31/2 years and we plan to reduce this from 14 per cent to less than 6 per cent over the next five years.

We presented to our people a manifesto, which highlighted, among other things, sound economic policy, human resource development, industrialisation and excellent infrastructure by any comparable international standard.

I believe that these areas of focus, together with the fact that Grenada is one of the safest destinations in the entire Western Hemisphere, will have Grenada in a position of readiness to take advantage of the opportunities of the 21st century.

Economic Policy

Our economic policy aims to create a sustainable environment within which there will be equality of opportunity for all. We are committed to eliminating unemployment, managing inflation and producing balanced development of the rural community to keep pace with that in the urban centres. We are fully committed to the progressive lowering of taxes in order to make our producers internationally competitive and to stimulate economic activity by placing more disposable wealth in the hands of every Grenadian. One of our first moves was to raise the threshold of personal income tax to such an extent that 98 per cent of Grenadians do not pay any personal income tax.

We have achieved significant surpluses on our current account for every one of the last three years and we are targeting a constant surplus of 3 per cent of GDP in each succeeding year.

In the midst of slow and even negative global growth as predicted by the World Bank/International Monetary Fund for the short to medium term, our economy has witnessed growth of 4, 5 and 6 per cent over the years '96–'98 respectively.

This growth level will be accelerated in order to achieve our GDP targets. Our plan to ensure this includes:

- The continued development of a substantial export manufacturing sector. We are committed to diversification away from our traditional primary agricultural products.
- The strengthening of the international business services sector, which has been supported by the passage of relevant modern legislation.
- The continuation of incentives for the development of agro industries and other agricultural diversification initiatives.

- Development of our tourism sector through the implementation of our tourism master plan and the advent of major tourism investors.
- Sustaining the attractiveness of Grenada by the implementation of stringent environmental standards.
- Development of our industrial capacity.

Human Resource Development

Grenada believes that the key to its competitiveness will be a well trained and highly educated work force. We believe that the greatest asset that any organisation or country can have is its people. We are fully committed to developing our human resources. Our young men and women, our adults and leaders of tomorrow, must be put in a position where they can compete effectively and successfully with any people, of any other country.

With this target in mind:

- Our aim of universal secondary education has been accelerated by the building of more schools, expansion of existing schools and support of economically disadvantaged families.
- All secondary schools have been computerised and students have access to the Internet through a local area network. The extent of this exercise is being increased and the primary schools are next to be targeted.
- Community centres have now been targeted as centres of learning where more can gain familiarity with modern technology.
- Access to university training has been increased through the St. George's University School of Medicine's arts and science programme, in addition to courses geared towards medical technology, hospitality arts, public health and other areas.

- An ambitious programme of support has been embarked upon to assist students pursuing university training in North America and the Caribbean. Various training funds have been set up to this end.
- Specifically, an industrial training fund has been set up to assist in training and equipping young people for jobs in the expanding industrial sector. These persons are being trained in industries in the United States in order to bring the skills to Grenada. We seek this type of opportunity in Canada for our young people.

Industrialisation

We believe that the process of industrialisation is essential to the prosperity of the country. Most of the world's prosperous nations were transformed through this process. Grenada will be no different.

Globalisation, as challenging as it is to small island nations, has brought with it opportunities that can be seized by all, once areas of competitive advantage can be identified. Given the liberalisation of trade causing the removal of barriers to trade, the scope for competitiveness has increased. This has made it easier for goods and "service activities" to cross borders. Essentially, each country can be a part of the production of a particular good, once it can add value to the product at some step in the process.

Countries no longer have to focus on manufacturing completed products, but can concentrate on the production of parts which they can produce in the most cost-effective manner, while maintaining standards. An example is a Grenadian-based company W&W Electronics, which produces electronic "connectors" for use in the Americas and Europe.

We have established that Grenada has a competitive advantage over the North American work force in the area of productivity. This means that once the sophisticated and complex technological platforms are made available to the local work force, production levels will surpass those in the United States. Of course, we are at a disadvantage in the area of energy and telecommunications costs. However, the acceleration of the application of new global trade rules should see a harmonisation of prices in the near future.

Our industrialisation plan will increase export earnings; improve balance of payments; reduce unemployment figures; and create industrial parks in rural areas while extending on existing parks.

Infrastructure

The vision of the government is to build a physical infrastructure that is commendable by all international standards. We clearly understand that sound infrastructure must be one of the key components of any national development plan.

A proper road network that is effectively maintained is a vital support to any aspect of the economy, whether it is tourism, agriculture, manufacturing. All our main roads are being built to international standards and our feeder roads are being constantly upgraded.

Our water and sewerage system is showing dramatic improvement as we target that section for US$40 million in development. We have invested in water desalination plants for the main hotel areas and those hardest hit by water shortage. The productive capacity of our water system is being constantly improved. Our aim is that every part of the island must be adequately serviced, including areas of heavy consumption.

Our telecommunications system controlled by cable and wireless is comparable with any in the world. In the near future, the telecommunications system will be open to competition, which will drastically reduce user costs.

Additionally our plans for power supply and port facilities will bring them to international standards. Our ports have either been targeted for improvement or are in the process of being expanded.

Our sporting infrastructure will soon receive a large lift with the completion of our state of the art national stadium in nine months' time. This will certainly benefit our thrust in the area of tourism as one of the allied benefits.

We have targeted the health sector for major reforms to the health-care system, in particular the hospital services. Additionally, construction will begin on a brand new hospital in a few months' time. Health-care concerns for our visitors and aging citizens will soon be a thing of the past.

Governance and Rule of Law

I have decided to end on this note because there have been concerns and demands communicated to Caribbean countries by large countries regarding these areas.

I must emphasise that Grenada has a thriving democracy. We just had a free and fair, non-violent election that was fully monitored by the OAS observers. We have continuously committed ourselves to the pursuit of internationally accepted standards of good governance.

Grenada enjoys a reputation as being one of the safest locations in the Western Hemisphere with regard to crime rate. We are fully committed to ensuring that development does not proceed at the expense of the peace and calm that our citizens enjoy.

Our police force has identified its emphasis on crime prevention and has the full support of the government for necessary resources.

Obviously, Grenada intends to be competitive and will indeed be competitive in the 21st century once our well laid plans have even moderate success. Actually, Grenada will prove to be one of the safest places for international investment in the 21st century.

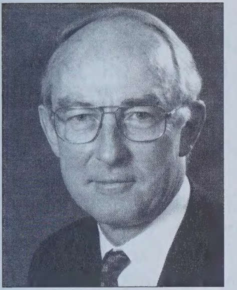
In conclusion, let me re-emphasise that we have set our plan in motion to make ready our beautiful country for economic advancement in the 21st century. I have considered main areas of economic policy, infrastructure, industrialisation, human resource development, the environment and general law and order, but I can assure you that we are fully ready.

Of course, we need the help of friendly investors who will surely find good returns on their investments. We know that you are strong in agro industries and we need technology transfer in that area. We need serious investments in hotel development and general tourism and most of all in the area of air transportation.

I invite all serious investors to visit our country and to consider Grenada as a destination for co-operative development.

The appreciation of the meeting was expressed by Sandra Whiting, President, Black Business and Professional Association and a Director, The Empire Club of Canada.

Dr. The Hon. Keith Mitchell, Prime Minister of Grenada and Willis L. Blair, Secretary, The Empire Club of Canada.



February 4, 1999

Rowland W. Fleming

Governor, President and CEO, the Toronto Stock Exchange

THE TSE AND ITS FUTURE

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

William D. Laidlaw, Director, Government Relations, Glaxo Wellcome Inc. and Second Vice-President, The Empire Club of Canada; Reverend Dr. John Niles, Minister, Victoria Park United Church; Brian Dickson, Grade 12 Student, Riverdale Collegiate Institute; Gary D. Reamey, Principal, Edward D. Jones & Co.; Charles F. Macfarlane, Executive Director, Ontario Securities Commission; James R. Bullock, President and CEO, Laidlaw Inc.; Peter C. Godsoe, President and CEO, Bank of Nova Scotia; W. Robert Farquharson, Vice Chairman and Chief Investment Officer, AGF Management Ltd.; Anthony S. Fell, Chairman and CEO, RBC Dominion Securities Inc.; Claude R. Lamoureux, President and CEO, Ontario Teachers' Pension Plan Board; Barbara G. Stymiest, Chair, Board of Governors, The Toronto Stock Exchange, Senior Vice-President and Chief Financial Officer, Nesbitt Burns Inc.; and Robert P. Kelly, Vice Chairman, Retail Banking, Toronto Dominion Bank and a Director, The Empire Club of Canada.

Introduction by George L. Cooke

I am pleased to introduce as guest speaker to the Empire Club today, Rowland Fleming, President and Chief Executive Officer of the Toronto Stock Exchange, a position Mr. Fleming has held since November 8, 1994. As President of Canada's largest exchange, he is responsible for the day-to-day operations of the TSE and is also a member of the Board of Governors.

Mr. Fleming was previously the Deputy Chairman, President and Chief Executive Officer of National Trust Company from 1991 until 1994. Before joining National Trust, he was President and CEO of the Dominion of Canada General Insurance Company Limited. Prior to that, he was an Executive Vice-President with the Bank of Nova Scotia where he worked in positions of increasing responsibility over a 23-year career. During that time, Mr. Fleming was involved in most aspects of international, corporate, commercial and retail banking and worked in London, New York, Toronto and across North America.

Mr. Fleming has been Vice Chairman of The Canadian Bankers Association and a director of a number of public and private companies. He is a Director of the Institute of Corporate Directors and the Commercial Advisory Council of Royal LePage, a Senator of the Stratford Festival, a Governor of Junior Achievement of Metro Toronto, a Director of the Metro Toronto YMCA, as well as a former Director of the Canadian Chamber of Commerce. Mr. Fleming is on the Advisory Board of the School of Business Administration at Acadia University.

Mr. Fleming was born and educated in Dublin, Ireland and is married with two children.

Mr. Fleming, welcome to The Empire Club of Canada.

Rowland Fleming

It is both a pleasure and a distinct honour to join the ranks of the distinguished speakers who have addressed the Empire Club since its origins in 1903. Canada has evolved in so many respects in the intervening 96 years and today the attributes of tolerance, compassion and economic health distinguish us as a developed nation on the world stage.

More than ever before, we are responsive to, and involved in, the demands of a new world and it is redundant to note that Canada is a part of and heavily influenced by the dramatic changes underway in the global economy. The degree of change is not merely a focus for headline writers or abstract economic reports, or indeed speeches! We experience it in our investment performance. We reflect it in our business decisions. It is a force of influence in our daily lives.

Fundamental changes are occurring in the structure of capital markets around the world which are bound to affect us, because as is the case worldwide, economic growth in Canada depends upon the availability of capital and its efficient use. That is the TSE's role—the role of any exchange. We bring people who are prepared to provide capital to the people who are prepared to utilise it. That has been the formula for the development of Canada since the first spike was driven into the railroad. The growth and the health of our capital markets feed into the growth of our economy, making it possible to build businesses, create jobs, accumulate savings and make investments. A healthy capital market is a critical element of a healthy economy.

And just to get a sense of the TSE's role in the Canadian economy, consider this: The market capitalisation of the almost 1400 Canadian companies listed on the Toronto Stock Exchange comes to more than $835 billion—about twice as much as it was five years ago. That domestic market capitalisation is almost equal to the annual GDP of all of Canada—hundreds of billions of dollars invested in creating jobs, invested in our standard of living, invested in our future.

In just the past four years, almost 600 new companies have listed with the TSE, representing over $150 billion in market capitalisation. That's more than the annual GDP of the entire Greater Toronto Area and most large Canadian cities and provinces.

How does this primary market activity of the TSE impact the people of Canada? Essentially, it provides the basis for a growing economy. It means capital being put to work so that Canadians can reap the rewards of entrepreneurial spirit, expand their business horisons, improve their standard of living and enjoy a healthier retirement.

However, this is not a new role for us at the centre of Canada's capital markets. For over 147 years, the TSE has built up enormous assets—in infrastructure, in credibility, and most of all, in the experience, expertise and commitment of the people who work for the exchange. It has facilitated an enormous investment in the Canada of the past, the present and of the next millennium.

But the TSE—like exchanges around the world—faces new sources of competition, new challenges. Like governments, like businesses, and like individual Canadians, the TSE must respond to those challenges, must adapt and adapt quickly, or risk being marginalised.

Of course, it's not the first time that exchanges have been challenged by new global forces. In 1850 the United States was home to 250 stock exchanges. Today, it has less than a dozen. Where did they go? New technology made its impact! The telegraph and the tickertape mowed them down, transforming the NYSE from one regional market among many into a towering national giant.

Today's telecommunications and technology revolution is even more powerful—and potentially more threatening. NASDAQ was born in the crucible of the failure by other exchanges to respond and adapt. Consider the Philadelphia Stock Exchange—one of the longest-standing capital markets in North America—now reduced to the oblivion of a junior partnership with NASDAQ.

That same revolution threatens to make Canada's capital market a regional extension of New York's which would consign Canadian investors and Canadian companies to the cursory attention of a branch-plant in another country. Clearly, the TSE must become an exchange of the future, powering our national economy forward—or it will be relegated to the past, holding back much of our economy and our opportunity with it.

Recognising this imperative, the Board of Governors of the Toronto Stock Exchange has endorsed a new strategic direction to secure its place at the centre of our capital markets and to strengthen its ability to contribute to our country's growth. But before I come to our vision for the TSE, I would like to talk about how we arrived at it—and why.

First, you might ask, what difference does it make whether there is a strong TSE? What does a dynamic TSE mean to you, to us, to the country?

What does it mean to investors who over the past 15 years have tripled to 37 per cent of Canada's population? It means a wide range of listed companies to choose from for investment. It means liquidity and depth in the marketplace, which is especially important to large-volume institutional investors, like pension funds and mutual funds. It provides the critical mass that makes it possible to invest with confidence and sell with ease. It offers reliable price discovery—one of the elements of fairness and a basis of sound investment.

What does the TSE mean for investment dealers? It means a major Canadian exchange on which to serve and maintain their customer base. It means a healthy domestic market in which to play a lead role. It means being part of a Canadian market composed of peers, rather than being relegated to the fringe of the U.S. market.

What does the TSE mean for our listed companies and those seeking new capital? It means a source of capital to finance growth to create new businesses. It means a direct vehicle for attracting Canadian investors in Canada—investors who are familiar with a domestic company's name, reputation and potential. It means greater analyst coverage, and it means enhanced visibility—especially to Canadian institutional investors, who conduct more than 90 per cent of their trading through the TSE. And it provides a recognised national platform from which growing companies can expand in global markets.

For all market participants, the TSE provides an advantage that no U.S. exchange can match: an equity market-based and rooted in Canada, and focused on our needs and the needs of our economy. An exchange where our concerns are at the top of the agenda, not the bottom of the heap.

Moreover, the TSE means a regulatory framework that inspires confidence. It has built enormous experience and expertise in ensuring a fair, accessible and orderly market for all investors—compiling a track record that has earned respect around the world. In recent years, we have added to our distinction in the regulatory field, through leadership initiatives in the areas of corporate governance, in corporate disclosure and just this week a Task Force Report on new regulatory standards for the mining industry.

The TSE is important not just to the millions of Canadians who have a direct stake in it. All Canadians have an indirect stake in its health and viability, because economic growth depends upon the availability of capital and its efficient use. The TSE facilitates the formation and distribution of capital, and provides a gateway to Canada for global investors. It ignites the private sector's ability to create wealth and jobs.

Last year, an estimated 40 per cent of the world's equity mining finance was raised on the TSE—securing our place as the trading capital of an industry that accounts for almost 4 per cent of Canada's Gross Domestic Product.

The exchange also serves as the financial incubator for many high-tech companies. Since 1995, more than 50 high-tech firms have listed on the TSE, deploying roughly $5 billion in capital.

Just a few months ago we launched the S&P TSE 60, with a capitalisation of more than $400 billion, a new base to attract global investment to our economy.

These are just a few of many concrete examples of our role in bringing capital together with opportunity, to create jobs, wealth and economic security.

Some might still ask: Couldn't all these services be provided by U.S. exchanges? Couldn't we all just join the NYSE and NASDAQ?

The blunt fact is, the NYSE and NASDAQ does not want all of us. Based on the listing requirements for those two exchanges, less than 40 per cent of TSE-listed companies would be eligible to list.

No doubt, the U.S. exchanges are aggressively pursuing the biggest Canadian companies with open arms. But the rest are getting the cold shoulder. Without the TSE, more than 800 Canadian companies needing to raise capital would be left out—and the wealth and jobs they create would be seriously imperiled.

The TSE represents approximately 90 per cent of equity trading in Canada. Over the past five years, over 300 new listings came to us from other Canadian exchanges. The total initial market capitalisation of those companies totalled $25 billion—representing major capital investment in growing companies. Without the TSE as the senior equities market, companies in a position to grow beyond the regional Canadian exchanges would have no market to turn to for expansion capital. Potential investments in economic expansion would evaporate.

As Canada's financial capital, Toronto would be particularly vulnerable to lost investment and jobs. In financial services, most of the costs are for people and software—both of which are very portable. The TSE is a magnet to financial services companies. If the magnet weren't there—or suffered reduced drawing power—how many would pull away?

So who has a stake in the Toronto Stock Exchange? In the final analysis it is the people who work, invest, and pay taxes in Canada. If the TSE becomes marginalised in global capital markets, so will its stakeholders. To avoid this fate, we must have a vision and a plan to address the forces driving change.

Competition is driving change. Large public companies can attract capital with relative ease in other world markets. Investors are seeking opportunities to diversify their portfolios beyond their home markets. They want more options in the way they trade securities—and are unwilling to let national boundaries or traditional structures get in their way. As equity markets become less defined by nationality, less restricted by borders and more focused on the quality, cost and efficiency of the services available, the relevance of traditional, monopolistic exchanges is being challenged.

Specialisation is driving change. Cyberspace is creating a world of specialised electronic trading systems—last year trading about 20 billion shares in the United States. We can expect these Alternative Trading Systems to grow in Canada. In fact, the Canadian Securities Commissions are now developing regulations to govern them. These niche players provide new value to many investors. But the overall needs of investors and issuing companies—including liquidity, quality, transparency and depth—call for an efficient consolidated market, not a raft of fragmented capital pools.

Globalisation is driving change. Mergers and strategic alliances among stock and derivative markets are creating new super-exchanges. NASDAQ and the American Stock Exchange boast a combined market capitalisation of US$2.6 trillion. The trend is oblivious to national borders. In Europe, the strategic alliance between the long-time rival London and Frankfurt Exchanges is expected to pull in counterparts across the continent. The exchanges in Sweden, Norway and Denmark have formed an alliance to create a Nordic exchange. NASDAQ is forming similar alliances with other markets to connect international pools of capital into a much larger trading structure.

These factors add up to an enormous challenge: huge markets looking for international expansion opportunities and new players armed with leading-edge technological capacity and capabilities.

Technology makes a big difference. NASDAQ's advanced trading system, for example, is capable of handling trades involving up to two billion shares a day—three times its current volume. Over the next six years it plans to quadruple that through an investment in technology of more than US$600 million.

Critical mass makes a big difference for exchanges in a competitive world. NASDAQ's market capitalisation is three times as large as the TSE's. The NYSE's market capitalisation is 19 times as large.

If you want to get a sense of the impact of super-technology in attracting a large liquidity pool, just look at the numbers. In 1980, only 82 companies on the TSE 300 interlisted with U.S. exchanges. Today, 128 list in the U.S., representing 80 per cent of the TSE 300's market capitalisation. The TSE lists about 60 foreign firms. The NYSE lists more than 350. NASDAQ lists over 450.

A shift of company listings and investor capital from Canada to the United States erodes our ability to maintain a vigorous capital market that is based in Canada, for Canadians. And it means a lot of jobs flying south or disappearing into thin air.

I do not believe Canadians want to see our capital markets become a narrow dead end hidden behind Wall Street. We do not want to see all of the important decisions made by U.S. institutions that have no reason to put the needs of Canadian issuers on a par with the needs of their American base.

I do not know of a strong free-market economy that does not have a strong stock exchange. I do know that to maintain one in Canada, the time to act is now. As one of our member firms put it: "It's one minute to midnight for the TSE."

These are the reasons why the TSE Board of Governors set out to create a new vision, to chart a new strategic direction—a Blueprint for Success. We sought the perspective of member firms, listed companies, investors and regulators. We reviewed strategic alternatives.

We examined many exchanges facing challenges similar to ours, including the Stockholm, Frankfurt, and Australian Stock Exchanges. Like the TSE, all three faced the threat of lost listings and trading to major global exchanges as a result of deregulation, globalisation, and the impact of new technologies. Like the TSE, all three experienced a growing diversity of interest among their members, hampering effective decision making. And all three responded to their challenges with a combination of strategic renewal, practical initiatives, a revised corporate culture, and a restructured decision-making process. The results are impressive.

We also looked at what our direct competitors are doing.

Our largest competitor south of the border is the New York Stock Exchange, Inc., a highly profitable competitive-based organisation with a corporate-style board, which is looking to Canadian and other markets for growth.

The NYSE has a focus: large global issuers. NASDAQ has a focus: the high-tech sector, which represents 35 per cent of its market value. The Internet-based Alternative Trading Systems have a focus: speed, flexibility and low cost.

The TSE must also have a focus. It must be one that is comprehensive enough to allow us to meet the needs of all of our customers, to serve them with increased efficiency and a new responsiveness. It must strengthen our role at the centre of the Canadian equity market as the market of choice, the regulator of quality, and the consolidator of market information for all investors.

These are the goals of the Blueprint and the goals which we believe are vitally important to the overall health of the Canadian market in a global setting. The Blueprint offers a new vision and a new strategic direction for the organisation. It identifies six key initiatives—all geared to increasing liquidity, the lifeblood of any exchange.

These initiatives include a focus on providing innovative trading systems, such as the new call market for institutional investors that will improve trade execution, minimise the risks of market impact from the leakage of trading intentions, and attract greater liquidity by making it easier to buy and sell large blocks of stocks.

The Blueprint initiatives include plans to revitalise our derivatives market through the creation of new products, the automation of our derivatives trading floor, improved trading efficiency, and a focus on enhancing the contribution it makes to the overall liquidity of the equity market.

They include new ways of building the value of the TSE for listed companies, including the creation of S&P TSE 60 Index and other initiatives to attract global investors to our market.

And the Blueprint strategy calls for a focus on areas of global specialisation, leveraging our competitive position in natural resources and developing new sectoral strengths that will clearly retain the position of the TSE among the leading exchanges of the world.

Collectively these steps will attract capital, which attracts companies, which attract investors which attract liquidity which attracts more liquidity, all of which makes for a healthy and successful market.

Of course, to make any business a success in a rapidly changing environment, we must ensure our ability to execute with speed and flexibility to adapt quickly to new opportunities. The Board concluded that for too long the TSE has been relying on a 19th-century decision-making structure to prepare for a 21st-century world.

As a mutual co-operative, decisions at the TSE have always been reached through a consensus-building process. Consensus-driven models work when there is no competition and the decision-makers' interests are identical. What about when they aren't? Like many traditional exchanges, our membership has evolved from a small homogenous group to a large disparate one with differing interests—members that vary from family firms to multibillion dollar companies. That leads to a slow, convoluted process which often arrives at the only acceptable decision, not the best one. And decisions that arrive too late to respond to competition.

Today's world demands a new governance model—one which facilitates efficient and effective responses to customer needs. One which allows us to consistently reinforce our commitment to a strong Canadian capital market. For this reason, the Blueprint calls for a dramatic shift to a competitive business model. A shift from our traditional seatholder model based on the floor space limitations of the past to a shareholder-based model focused on the possibilities of the future. A competitive business model that will ingrain the TSE with the characteristic that is crucial to success in a tough competitive environment—discipline.

It will give us a governance and ownership structure geared to making decisions that are responsive to customers—instead of searching for an elusive consensus to satisfy the differing and often conflicting needs of a disparate group of seatholders.

It will provide an independent board with broad representation of leadership experience drawn from listed companies and retail and institutional investors, as well as our current members. More Canadians than ever have a true stake in the health and future of the TSE. It is time to recognise that simple fact.

At the same time, it will provide incentives for the TSE to shape new products to meet the needs of customers in new ways. And it will create the opportunity to raise the capital that is necessary to push those products off the drawing board and into action.

Who will benefit from the new TSE?

Retail investors will benefit: We will be better able to meet their need for education, for information, for improved price discovery, and for new ways of interacting with the marketplace.

Institutional investors in particular will benefit from a transparent and efficient centralised marketplace that meets their trading needs.

Listed companies will benefit: Liquidity in their shares will improve, allowing us to ensure a steady stream of capital is available. We will continue to be recognised as the global market for Canadian securities.

And brokerage firms will benefit: It is in their direct interest to ensure their clients are satisfied with the efficiency and quality of the market. They will have greater confidence in their base, secure that the marketplace in which they play a lead role is a stable, dynamic one. At the same time, they will have access to a wider range of products and services that will improve the efficiency and quality of the Canadian market.

One other very large group will benefit: everyone who depends on a growing Canadian economy. Enhancing the capital markets and making it easier to fund Canadian companies create a circle of financial health that is critical to our national future.

Through the implementation of the direction charted in the Blueprint, we are confident that Canada will bask in the glow of a globally competitive exchange, rather than wilt in the shadow of a U.S. giant.

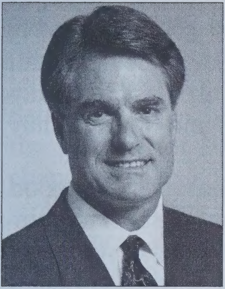
The Board of the TSE believes it is time that the TSE met the challenges of a competitive world, time it responded to the demands being faced by all organisations including its listed companies and member firms.

It is time that the TSE set its course for the 21st century. It is time that TSE stood for Tomorrow's Stock Exchange. And that time is now!

The appreciation of the meeting was expressed by William D. Laidlaw, Director, Government Relations, Glaxo Wellcome Inc. and Second Vice-President, The Empire Club of Canada.

Anthony S. Fell, Chairman and CEO, RBC Dominion Securities Inc. and James R. Bullock, President and CEO, Laidlaw Inc.

Dr. Frederic L.R. Jackman, President, Invicta Investments Incorporated and a Past President, The Empire Club of Canada, Stanley Hartt, Chairman, Saloman Smith Barney Canada Inc., Leslie Milligan, Manager, Special Projects, Performers for Literacy and Sonja Smits, Award-winning Actress and Star of "Traders."



February 11, 1999

Nelson Sims

Outgoing President, Eli Lilly Canada

A SCIENTIFIC AND TECHNOLOGICAL REVOLUTION IN THE PHARMACEUTICAL INDUSTRY

Chairman: **Robert J. Dechert**
President-Elect,
The Empire Club of Canada

Head Table Guests

Bruce Sinclair, Councillor, City of Toronto and a Director, The Empire Club of Canada; The Reverend Vic Reigel, Christ Church, Brampton; Gaetano Crupi, Incoming President, Eli Lilly Canada; Jeffrey C. Lozon, President and CEO, St. Michael's Hospital; Murray Elston, President, Pharmaceutical Manufacturers' Association of Canada; D. Cameron Hyde, Vice-President and General Manager, Central Operations, Xerox Canada Limited; Henry Friesen, President, Medical Research Council; and Catherine Steele, Vice-President (Toronto) and Partner, Gervais Gagnon Covington and Associates and a Director, The Empire Club of Canada.

Introduction by Robert J. Dechert

Nelson Sims

Ladies and gentlemen, it's a great honour to be here with you today. The Empire Club has featured many distinguished speakers over its long history, and one certainly feels inspired in such company.

Health care is not a subject one hears a lot of good news about these days. Costs and cutbacks seem to dominate the headlines. So I'm pleased to use this opportunity to tell you about a few exciting developments in health care. Not just good news, but great news!

Today, the pharmaceutical industry is embarking upon a scientific and technological revolution. It is no less significant than the advances that have transformed today's information technology industry. The benefits for mankind in this biomedical revolution will indeed be extraordinary.

To put it briefly, we have reached a stage in which breakthroughs in many different fields—in genetics, biochemistry, molecular biology and other areas—are coming together with spectacular results. These advances have allowed researchers to acquire a fundamental understanding of how the body works and why it doesn't work properly when attacked by disease.

Science and technology have also allowed the pharmaceutical industry to transform the process of discovering and developing new medicines. To give you an example, researchers in the past isolated individual soil or botanical samples and then tested them against a vague notion of disease possibilities, originating in most any part of the body. It was slow, painstaking work, with enormous rates of failure.

Let me give you an example of how far we have progressed today. Just imagine that our scientists can isolate receptors in the brain that we know are linked to specific physiological activity such as schizophrenia, obesity and depression. Our scientists can then use computer technology to design the right molecule that connects to the right receptor. This lets our scientists use sophisticated tools and techniques to rapidly test these new drug candidates. The objective is to fail fast so we can quickly select the one out of 10,000 molecules that offers the best chance to succeed as an effective treatment.

As I look back on my 26 years in this industry, I find myself now amazed on a daily basis at the "warp speed" of pharmaceutical research and development. The bottom line is that our pharmaceutical industry is beginning to create powerful, effective and highly targeted medications and to develop them far faster than ever before. That means, the hope for cures to today's dreaded diseases has never been better.

Let me illustrate what this accelerating pace means for drug development. In the 15 years between 1980 and 1994, Eli Lilly introduced nine new drugs in Canada. In just the last four years, we have brought to market eight new medications. These are not line extensions, but significant new drug treatments.

Over the next five years, we plan to deliver more than 10 new pharmaceuticals. Right now, our scientific team is hard at work testing powerful new treatments for stroke, attention deficit disorder, breast and colon cancer, Alzheimer's disease, diabetes, sexual dysfunction and other illnesses.

To ensure that we achieve these breakthroughs, Eli Lilly and Company have totally re-engineered its approach to research and development. We have increased investment and created cross-functional heavyweight teams. As well, we have forged alliances with partners whose capabilities augment our own. Our alliance in the field of neuroscience with Toronto-based Allelix Biopharmaceuticals serves as just one excellent example.

Currently, we have over 200 global alliances with other large pharmaceutical companies, with biotechnology companies, and with academia in the health-care sector.

Now, let me pose a couple of questions. First, what are the implications of this current revolution in pharmaceutical discovery? And second, will Canadians benefit from these developments in the same way that many nations have reaped enormous benefits from the explosion in information technology?

I suggest that the answer to the second question is a highly qualified "yes." Canada has much of the infrastructure and knowledge to capitalise on the biomedical revolution. Yet, some barriers remain and I will touch on those in a moment.

As for the implications of this research-and-development revolution, they are profound and far-reaching.

On my way here today I passed, as you did, people living on the sidewalks, suffering the cold and most probably living with little hope. Recent studies suggest that, in this very province, the vast majority of the homeless suffer from some form of mental illness.

It can be safely said that mental illness is one of the most significant problems affecting mankind. It is, unfortunately, the root cause of much violence and crime in society and represents a terrible waste of human potential. In hard currency, it has been estimated that the annual cost of mental illness to North America is over $70 billion in health-care costs alone!

Yet, it may soon be possible to alleviate, or eliminate entirely, much of that suffering.

Today, medical science has the power to identify psychosis and other mental conditions at their earliest stages. So what that means is that people suffering from the devastating effects of panic disorders, clinical depression, schizophrenia or anxiety need not suffer for months or years before we can help them. The pharmaceutical industry, led by research-based companies such as my own, make this possible.

These new drugs represent a quantum leap forward in biomedical technology.

Zyprexa, Lilly's new treatment for schizophrenia, serves as an important example. Zyprexa patients experience minimal side effects compared with patients using earlier generations of anti-psychotic drugs. I can tell you from the results I have seen that this drug works.

Zyprexa is proving to be as safe and effective in its role as Prozac is for depression. A great added benefit of Prozac is that it has helped to de-stigmatise depression. We believe and we hope that Zyprexa will have a similar effect on public attitudes toward schizophrenia.

Mental illness represents only one disease category. Pharmaceutical research today drives progress across a wide range of diseases.

Among other developments, we are beginning to witness the extraordinary potential for using genetic information to predict diseases to which individuals are most susceptible—and then intervening to prevent those diseases from occurring.

The implications for human health are profound. Just imagine a world where invasive and painful surgery is increasingly replaced by pharmaceutical strategies. Or, where long hospital stays give way to short periods of recuperation at home.

Ultimately, many of us in this room may live to see the day when diseases that have long afflicted the human race—such as cancer and heart disease or those that have appeared out of nowhere like AIDS—are finally brought under control or vanquished entirely.

In addition to improving health, this research-and-development revolution will have a far-reaching impact on the overall cost of health care. In fact, it will make it possible to actually lower the overall cost of health care in many cases.

That remark may strike some of you as counter-intuitive because the cost of drug development is much higher today than in the past.

Identifying and developing a new medication and then bringing it through approvals to market can cost as much as half to three quarters of a billion dollars. However, to understand the real cost and benefits of new drugs, we need to step back and look at the impact on the total health-care spending. And what we see is that patented medicines represent one of the most cost-effective interventions available in our health-care system. They shorten, and in some cases eliminate, hospital visits altogether. They reduce the need for surgery, emergency room admissions and repeated physician visits.

Drug therapies target diseases in their early stages, preventing long and painful illnesses and debilitating side effects. They alleviate suffering, reduce trauma and its consequences for patients and their families, and enable people to return to work faster.

Along with the devastating human costs, schizophrenia costs Canadian taxpayers over $4 billion annually. I suggest that many of these patients could eliminate expensive hospitalisations by utilising the latest pharmaceutical therapies. The potential savings to the health-care system could be quite dramatic.

Unfortunately, we are accustomed to managing our health-care system in silos, with cost control narrowly focused on separate components. Budgets are separately managed for physician costs, hospital costs, pharmaceuticals and diagnostics. Consequently, opportunities for real savings across the system are often not realised.

Information tools now make it possible to take a more integrated look at costs. We must begin using these tools to their full potential. Longer term, our goal should include a national, system-wide approach to health care that focuses on the patient's total needs—including prevention—and delivers the best clinical result at the optimal cost.

Let me quickly touch on the broader economic implications of this R&D revolution—on jobs and on economic growth. Today, the research-based pharmaceutical industry, represented by the Pharmaceutical Manufacturers Association of Canada, provides employment, directly and indirectly, for over 43,000 Canadians.

We have already witnessed the impact of a thriving information technology sector on Ottawa, Kitchener-Waterloo—and also on Austin, Seattle and Palo Alto in the United States. In exactly the same way, pharmaceutical and biotech companies will cluster in specific North American centres, acting as engines of economic growth and job creation.

Toronto and Montreal, homes to Canada's largest pharmaceutical companies, will definitely benefit. There has never been a better opportunity than right now for Canada's small, uniquely positioned biotech industry to become a significant engine for economic growth, creating knowledge-based, value-added jobs for Canadian scientists. Our biotechnology industry should develop a major presence in Canadian centres that support a top-ranking medical school—cities such as Hamilton, Calgary, Edmonton and Halifax, in addition to Toronto, Montreal and Vancouver.

Many opportunities lie ahead. However, Canada's ability to capitalise on those opportunities is not guaranteed—particularly today, when pharmaceutical companies are in a fiercely competitive global market. There are many countries in which companies may choose to invest. It is a situation much like what we see in the mining sector. There are precious metals all over the globe, but exploration investment goes to jurisdictions with stable mining regimes that encourage and reward that investment.

To attract the necessary investment for biomedical research, we must, as a nation, meet certain requirements. Here are what I consider to be the five critical success factors behind a strong research-based pharmaceutical industry.

First of all, we need a globally competitive research infrastructure—scientists with the appropriate skill sets, first-rate medical schools, and excellent teaching hospitals. This must be supported, in turn, by an excellent public school system and post-secondary institutions with a strong emphasis on the life sciences. Unless we encourage today's youth to study and enter scientific fields, I believe we will soon see a shortage of scientists.

Canadians have built health and education systems that are among the best in the world. However, persistent under-funding of our health care and education systems would definitely hurt Canada's competitiveness in the long run.

To build a globally competitive research infrastructure, our federal government must refocus its level of investment in basic research. Specifically, the federal government must once again step up to the plate again and fund The Medical Research Council of Canada at globally competitive levels. Dr. Friesen is our Canadian champion for this cause; we must listen, and we must follow his lead.

A second criteria necessary to attract global private-sector investment in medical research is a competitive intellectual property protection regime for our new medicines. We must be competitive with other industrialised nations. Federal legislation in 1987 and 1993 restored patent protection for pharmaceutical products and moved us closer to world standards. Yet, we still fall short in some critical areas.

In contrast to the European Union, the United States and Japan, Canada does not provide for patent term restoration, which extends patent protection to compensate for lengthy periods of regulatory approval. In addition, we should do a better job of protecting proprietary data submitted for these approvals.

A third important criteria for future investment is a Health Protection Branch approval process that needs to be both efficient and competitive with regulatory processes in other countries. While consumer safety is paramount, the timely introduction of effective new medicines is also important.

I do want to emphasise that the Health Protection Branch has improved its performance over the past few years, which is both recognised and appreciated. Despite these improvements, however, we continue to lag behind our trading partners. In 1997, the average time for approvals in Canada was 549 days, compared with 492 days in the United States. This represents a review time 12 per cent slower than that of our largest trading partner. Clearly, we must continue to improve.

A fourth factor for success is a more realistic mandate for Canada's Patented Medicine Prices Review Board. This Board was established with Bill C-22 to ensure that Canadians do not pay excessive prices for patented pharmaceuticals. An honorable intent, and one I clearly support. However, the Board's current guidelines for pharmaceutical prices are so restrictive that they actually threaten investment, innovation and access to new medicines.

Average pharmaceutical prices in Canada are 11 per cent lower than the international median price of seven benchmark countries used by the Board. In fact, for some products, Canada is below third-world standards for pricing of pharmaceuticals.

You can imagine the impact on Canadians if auto prices were set by a regulatory agency without recognising that this year's model represents an advance over older models. In such an environment, investment and innovation would be discouraged and we would soon all be driving rusty old cars or taking the bus!

If constrictive drug pricing persists, many new therapies will never make it to patients in Canada. We will lose the important progress we have made in creating a competitive research-based industry. This is not a threat. Rather, it is a reality of globalisation. A reality for the pharmaceutical industry just as it is for any other industry.

Fifth and finally, provincial governments have a great opportunity to embrace new drug technologies through their formulary listings policies. The trend towards restrictive listing practices as a cost-containment tool compromises the quality of patient care, restricts access to one of the most cost-efficient health resources and certainly discourages innovation.

The pharmaceutical industry would like to work with governments and other stakeholders to improve the use of medicines and reduce waste, while ensuring that the public has access to the best therapies available. We believe this is possible. We are also encouraged by the results of recent negotiations with the Ontario government along these lines.

Those are the five factors for building a winning pharmaceutical industry that include big pharma as well as the entrepreneurial biotechnology sector. But in addition, small biopharmaceutical companies require a sixth factor. These companies need access to capital and an environment that encourages joint ventures with global pharmaceutical companies. Without the support of big pharma, biotech would ultimately struggle for survival. Simply put, they need alliances too.

So far, Alberta and Quebec have best demonstrated commitment to nurturing biotechnology. Ontario and British Columbia have many opportunities to create a truly world-class environment to encourage investment and job creation in this important industry.

Without question, we are on the edge of an extraordinary future. Canada has in place many of the building blocks to become a world leader in pharmaceutical and biotechnology research. We are fortunate to possess outstanding scientific intellect, a growing support infrastructure and a pharmaceutical industry that is among the best in the world.

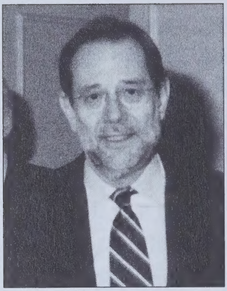
We certainly have the resources—providing we have the will—to create the winning conditions for success.

As a once and future resident, I see a nation that has the resources and the skills to position itself at the forefront of a global revolution in health-care research. Let us move forward to tackle diseases, to improve the health of Canadians and to create knowledge-based jobs all across this great country.

Thank you.

The appreciation of the meeting was expressed by Catherine Steele, Vice-President (Toronto) and Partner, Gervais Gagnon Covington and Associates and a Director, The Empire Club of Canada.

Dennis Reid, Chief Curator, Art Gallery of Ontario and Douglas Todgham, President, The Canadian Institute for Advanced Research Foundation and a Director, The Empire Club of Canada.



February 12, 1999

A joint meeting of The Empire Club of Canada and The Atlantic Council of Canada

His Excellency Dr. Javier Solana

Secretary General of NATO

TRANSATLANTIC RELATIONS IN THE 21ST CENTURY

Chairman: **Ann Curran**
Third Vice-President,
The Empire Club of Canada

Head Table Guests

Ken Shaw, National Editor, CFTO Television and a Director, The Empire Club of Canada; Reverend Kim Beard, Rector, Christ Church, Brampton; Lula Kosanic, Student, Political Science and International Affairs, University of Toronto; MGen. Reginald W. Lewis, C.M.M., C.M., C.D., Chairman, Defence Construction Canada, a Director, The Atlantic Council of Canada and a Past President, The Empire Club of Canada; Lieutenant General Henryk Szumski, Chief of the Defence Staff of Poland; Edward H. Crawford, Past Chairman, The Atlantic Council of Canada and Past Chairman, Board of Directors, The Canada Life Assurance Company; His Excellency Ambassador David Wright, Canadian Ambassador to NATO; Professor Robert Spencer, President, The Atlantic Council of Canada; Roger P. Parkinson, Publisher and CEO, The Globe and Mail; The Hon. Barnett Danson, P.C., O.C., Consultant, former Minster of Defence and an Honorary Director, The Empire Club of Canada; MGen. Bruce J. Legge, C.M.M., C.M., KSt.J., E.D., C.D., Q.C., Partner, Legge & Legge, Past President, The Empire Club of Canada and Vice-President, The Atlantic Council of Canada; Dana Hines, Vice-President, The Atlantic Council of

Canada; and Edward P. Badovinac, CET., KH, Professor, Department of Telecommunications, George Brown College, a Director, The Empire Club of Canada and a Director, The Atlantic Council of Canada.

Introduction by Ann Curran

Javier Solana

We are, today, beginning the third phase of North America's involvement in European security. Through NATO, Canada and the United States, along with their European Allies, are actively building peace and security across the whole of the Euro-Atlantic area, spanning from Finland to Italy, from Canada to Central Asia. In so doing, NATO is helping to spread across Central and Eastern Europe the same peace, stability and prosperity that Western Europe has enjoyed for the past 50 years.

Over the last 10 years, NATO has been adapting its structures and policies to take on this new role. We will be issuing a new Strategic Concept at the Washington Summit that takes these adaptations into account, and guides the new NATO into the 21st century.

Perhaps the most obvious manifestation of the new NATO in Washington will be the number of national flags flying: 19 instead of 16. By April, the Czech Republic, the Republic of Hungary and the Republic of Poland will formally be members of the Alliance.

Through enlargement, the Alliance extends concretely the zone of stability and security it represents—just as the EU enlargement process will extend its prosperity and political stability. And I congratulate Canadians on demonstrating your commitment to this principle by being the first NATO nation to ratify the accession protocols of the three invitees.

This round of enlargement is only part of an ongoing process. At the Summit, we will unveil new measures designed to help aspirant countries meet NATO standards, and thereby enhance their prospects of admission.

At the same time, we will enhance our relations with all non-NATO countries across Europe. Five years ago, NATO set up the Partnership for Peace Programme. It has already proven an invaluable means to help restructure the armed forces of countries formerly belonging to the Warsaw Pact, to help them find their appropriate place in modern democratic societies, and to engage in practical co-operation.

At the Summit, we will continue the real progress we have made towards building a Europe where military forces exist not to confront, but to co-operate with each other.

Of course, one very important partnership is the new, positive relationship between NATO and Russia. In 1997, NATO and Russia established the Permanent Joint Council. Today, only two years later, Russia and NATO consult regularly on current security issues such as Bosnia and Kosovo; nuclear safety and disarmament. We are also deepening our programme of practical co-operation. The year ahead promises even greater co-operation.

Ukraine, like Russia, occupies a crucial place in Europe. The ability of this newly independent country to survive and flourish is crucial to long-term stability in Europe.

NATO and Ukraine have developed a distinctive relationship, covering a wide range of security-related co-operation. We have developed a work programme which covers such important issues as co-operation in peacekeeping and defence reform.

Canada plays a leading role within the Alliance in its relations with Ukraine. Indeed, with the largest Ukrainian Diaspora in the world, you are well placed to do so!

These new partnerships will go a long way to building long-term peace across Europe. Unfortunately, there are still security challenges to be faced now. We need to ensure that we are capable of meeting them.

As the war in Bosnia showed us, conflicts can still break out in Europe; conflicts that not only cause enormous human suffering, but also threaten wider European stability. NATO has therefore adapted its policies and structures to carry out conflict prevention and crisis management operations.

NATO's forces have, therefore, been adapted to be more flexible. At the Summit, we will launch a defence capabilities initiative to improve the capabilities of our forces to move great distances, quickly, and then be sustained while in the field. The NATO Flying Training Programme in Canada will go a long way to improving Alliance flexibility and interoperability, and I congratulate you on it.

Weapons of mass destruction could pose a risk to our troops deployed on peacekeeping missions, and potentially to our populations. That is why we are preparing a Summit initiative to improve NATO's response to this security challenge.

In the Balkans, we are seeing a preview of how NATO will meet the challenges of the 21st century in a collective, determined and flexible manner. NATO's practical partnerships made it possible for 20 non-NATO countries to deploy and operate with NATO forces in Bosnia-Herzegovina. Russian and Ukrainian troops are working side by side with their NATO counterparts to help implement the Dayton Peace Accords.

NATO's role in the Kosovo crisis also demonstrates the importance of our new military flexibility. As this crisis has evolved, so have NATO's efforts to manage and end it.

After repeated violations by both sides of the UN Security Council resolutions and other international obligations, NATO decided to issue a strong warning to the parties to comply without further delay. This threat of force convinced the parties to the conflict to begin negotiations toward a sustainable peace under international mediation in Rambouillet, France. NATO fully supports these peace efforts.

To this end. our planning is well advanced to help implement a peace settlement in Kosovo. If the international community turns to NATO to take on this task, we will be ready to do it. But let me be clear: We are also ready to use force if the parties do not reach a settlement and to prevent further conflict and humanitarian suffering in Kosovo.

NATO's operations in the Balkans are important not only because they help keep the peace in an area that has historically seen too little of that but they also demonstrate clearly once again what is often forgotten—that sometimes, peace requires the capability and the willingness to use force.

Canada has always believed in taking action to keep the peace. Canada was one of the first countries on the ground in Bosnia under UNPROFOR—before many European countries, in fact. And let me mention that your consistent support for the United Nations makes Canada's present tenure as the Chair of the Security Council well deserved indeed.

That commitment to keep the peace was also demonstrated when the UN mission in Bosnia was replaced by the NATO-led mission. One thousand two hundred Canadian soldiers are now serving in SFOR, and are performing to their usual high standards of professionalism and effectiveness. I praise also the major Canadian contribution to de-mining in Bosnia. And Canada is also providing personnel to help solve the Kosovo crisis, both with the OSCE in the province itself, and with the Extraction Force in the former Yugoslav Republic of Macedonia. I also appreciate Canada's willingness to contribute to a NATO-led peace implementation force in Kosovo, should the North Atlantic Council decide to deploy such a force in the days ahead.

Canadians have always believed deeply in international law and human rights. This principle is exemplified in the fine work of Madame Justice Louise Arbour, the chief prosecutor of the International Criminal Tribunal for the former Yugoslavia. The parties to the Dayton Accords are responsible for arresting and turning over the persons she indicts, but NATO forces are playing an increasing role in helping to bring accused war criminals where they belong—in front of Madame Arbour, in the Hague.

Ladies and gentlemen, these examples demonstrate why the transatlantic link remains so healthy, and so vital.

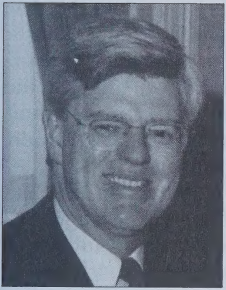
We must preserve this commitment, politically, militarily, and economically. As NATO takes on the increasingly complex and challenging demands of peacebuilding, it remains vitally important that all the Allies—including Canada—devote the manpower, equipment and funding necessary to maintain effective military forces. If we truly want to build peace and security, we must match our words with the deeds and resources to back them up. And the return is well worth the investment.

Working together, the North American and the European Allies can assist in establishing a democratic and prosperous Eastern Europe, support the democratic transformation of Russia and Ukraine, help prevent and manage conflicts, and help combat proliferation. These are the goals of the "transatlantic relationship of the 21st century." The Washington Summit and the Meeting of Defence Ministers here in Toronto later this year serve as vivid symbols of that relationship.

Throughout this century, Canada has been an essential part of the Atlantic community. Today, we stand on the threshold of a new century—a century in which NATO will help fulfil our common goals of peace and security. I congratulate Canada on the role it is playing in the Alliance today, and the role it will play in the NATO of the next century.

The appreciation of the meeting was expressed by Professor Robert Spencer, President, The Atlantic Council of Canada.

Andrew Resulius, Head of Military Training Assistance Program (M.T.A.P.), MGen. Bruce J. Legge, C.M.M., C.M., KSt.J., E.D., C.D., Q.C., Partner, Legge & Legge, Past President, The Empire Club of Canada and Vice-President, The Atlantic Council of Canada and Lieutenant General Henryk Szumski, Chief of the Defence Staff of Poland.



February 18, 1999

The Hon. John Manley

Federal Minister of Industry

PUTTING PEOPLE FIRST: PRODUCTIVITY, GROWTH AND LIVING STANDARDS

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Gareth S. Seltzer, Vice-President, Private Wealth Management, Guardian Capital Advisors and Immediate Past President, The Empire Club of Canada; David Buchanan, OAC Student, Eastdale Collegiate Institute; Dr. Diane Bridges, D.M., J.P., Director of Pastoral Care, Brampton Memorial Hospital; Gerry Phillips, MPP, Deputy Leader, Ontario Liberal Party; Dr. J. Stefan Dupré, President, Canadian Institute for Advanced Research; Colin D. Watson, President and CEO, Spar Aerospace Limited; Paul Lucas, President and CEO, Glaxo Wellcome Inc.; Dr. Claude Lajeunesse, President and Vice Chancellor, Ryerson Polytechnic University; Byron Wilfert, M.P., Member of Parliament—Richmond; and Dr. Frederic Jackman, President, Invicta Investments Incorp. and a Past President, The Empire Club of Canada.

Introduction by George L. Cooke

It is my pleasure to again introduce as our guest speaker, The Honourable John Manley, Minister of Industry. It was almost a year ago that The Honourable John Manley was with us, for what has become his annual visit. Welcome back to the Empire Club. Minister Manley leads a Department whose mission is to foster a growing competitive, knowledge-based Canadian economy; working with the private sector to improve Canada's conditions for investment, improve innovation performance, increase our share of global trade, and build a fair, efficient and competitive marketplace.

John Manley was first elected in 1988 and re-elected in 1993 and 1997 as Member of Parliament for Ottawa-South. He was appointed Minister of Industry in November 1993. He was given additional responsibilities as Minister responsible for the Atlantic Canada Opportunities Agency, Canada Economic Development for Quebec Regions, and Western Economic Diversification Canada in January 1996. Minister Manley is assisted in these duties by three Secretaries of State.

The Minister is also responsible for a number of government agencies including the Standards Council, the Canadian Space Agency, the National Research Council, Statistics Canada, the Business Development Bank of Canada, the Canadian Tourism Commission, the Natural Sciences and Engineering Research Council, and the Social Sciences and Humanities Research Council.

Supported by these organisations, which represent the government's key tools for economic renewal and innovation, Mr. Manley and his colleagues have been given an important part to play in advancing the Jobs and Growth Agenda. Under his leadership, this team is acting to build a positive entrepreneurial climate and help small business grow; to expand markets for jobs and growth through trade; to create an efficient and modern infrastructure; to build stronger regional economies within an integrated national framework to meet the challenge of global competition; and to make technology work for Canada.

Minister Manley is dedicated to securing Canada's place in the new economy. As Minister responsible for telecommunications policy, he has led the development of Canada's Information Highway Strategy.

Before entering politics, Minister Manley practiced business and income tax law in Ottawa. He and his wife, Judith, live in Ottawa South with their children, Rebecca, David and Sarah.

John Manley

Thank you for your kind introduction George.

It is an honour for me to address this distinguished Club again. Last year I spoke about our "connectedness agenda" that continues to link Canadians, no matter where they live, young and old. For those of you who were not here last year, this is not a government-sponsored dating service. Rather it is our six-pillar agenda that provides opportunities for Canadians to gain skills and access electronic tools through the Internet.

The Connecting Canadians agenda is positioning Canada as the lead nation in the knowledge-based economy of the 21st century. Evidence of this progress is SchoolNet. I am very proud of this programme that will have connected each of our 16,500 schools and 3,400 public libraries to the Internet by the end of March. We will further our lead by establishing up to 10,000 community access sites and by building the fastest network in the world by March of the year 2000.

Under the able leadership of our Prime Minister, the federal government has been focused on an agenda that points to one goal—creating the conditions where Canadians can see reason for optimism about the future of their individual lives, the communities in which they live and a country that is fit to wear the reputation as the best place in the world to live.

On Tuesday, the Finance Minister delivered a budget that gave meaning to optimism. After years of difficult choices, the finances of the nation are on a solid footing and the government has finally reached a point where it can act on those things that matter to Canadians.

By far, the greatest priority for Canadians was the strength of our public health-care system. Over the next five years, an additional $11.5 billion will be transferred to the provinces to be used in meeting the health-care standards that Canadians have a right to expect.

Health care is an obvious element of our quality of life. And the quality of life is clearly dependent on our standard of living. This is what I am here to talk about today.

How can we maintain, or better still, increase our standard of living? Since 1987, we have done OK; our standard of living has grown by 7 per cent but when we look at our American friends, we see that in the same time, they have increased their standard of living by 17 per cent. In other words, by 1997, per-capita income was 30 per cent higher in the U.S. than in Canada—$37,239 for Americans compared to $28,234 for Canadians. And in that 10 years the gap has been widening. If this is a trend, then we should all be very concerned.

Productivity—the measure of the efficiency with which people, capital, resources and ideas are combined—is the most important determinant of our standard of living. And by broad international standards, Canada is doing relatively well. Unfortunately when you look at our track record, we have been doing less well year over year.

Over the last 25 years, Canada has had the lowest rate of productivity growth in the G-7 and while these countries may be our friends, they are also our competitors in the fight for a share of the global economy.

And for those of you in Toronto who think that this is a problem that emanates from other parts of the country, I draw your attention to Ontario's performance. When one uses the narrower measure of labour productivity, Ontario is just slightly ahead of Mississippi.

So what does this all mean? Well moving back to our standard of living—which is the whole point of this address—if productivity in Canada had grown 1.2-per-cent-per-year faster, which is the gap between the average U.S. and Canadian growth, according to the OECD, our per-capita income would have been $7,000 a year higher. For a family of four, this is a $28,000 shortfall!

It is no wonder then that last fall, the House of Commons Finance Committee warned that the slower rate of productivity growth is cause for real concern. The OECD went further; it warns of the consequences of continued slow productivity growth. Based on the current trend, our per-capita GDP will drop from 10 per cent above the OECD average to 15 per cent below within 20 years.

"There is no room for complacency," according to the OECD. Canada has a productivity growth challenge.

Now the Toronto Star is illustrative of the spectrum of responses to the productivity challenge.

David Crane, a Toronto Star journalist wrote after the recent World Economic Forum, that Canada must innovate or lose. Ultimately the living standards of Canadians and the quality of our health and educational systems depend on whether we welcome the productivity challenge or fear it.

Crane's colleague at the Toronto Star, Rosemary Speirs wrote that many people believe that the "productivity agenda" will mean "lower wages for Canadian workers" because "that is the usual way of achieving lower production costs for the same amount of output."

Somewhere in the middle of these perspectives lies the views of Canadians. Eighty-two per cent of Canadians believe that increasing Canada's economic productivity is essential to improving our standard of living. But there is no question that there are Canadians who wonder where their place is in the productivity agenda beyond lower wages. I hope that I can convince Canadians that a productivity agenda need not mean lower wages, more hours worked and greater hardship. With time and a concerted effort, the government and the private sector acting in partnership, can make sure that all Canadians see an increase in their standard of living.

And we've already started to prove it. The broad economic conditions of the country are coming together.

When I became Industry Minister in 1993, the federal deficit stood at $42 billion and was swelling. In partnership with all Canadians, we turned that around and last year, the federal government recorded the first budgetary surplus in 28 years.

Our inflation rate has been the lowest in more than a generation. This, coupled with fiscal responsibility has created the room for low interest rates.

And on the employment front, the Canadian economy is creating jobs at a rate unequalled in the G-7. Last year, a total of 453,000 jobs were created, making 1998 the strongest year of job creation since 1987.

Canada experienced a bounce back in productivity in 1997. In particular, labour productivity in the Canadian business sector rose 2.9 per cent, the largest increase in 13 years. Just the year before, labour productivity had actually declined by 0.4 per cent.

These real success stories have created a world-class macro-economic climate for Canada. In fact, the World Economic Forum believes that Canada is one of the most competitive countries in the world. In 1994, we ranked 20th on the Forum's competitiveness scale; today we are fifth.

Clearly, Canadians have demonstrated that when they put their minds to a task, they can achieve their goals. This aptitude will stand us in good stead for the next challenge to which, I believe, we must now turn our minds. We need to focus on the productivity challenge.

First, in terms of overall debt, it is simply still too large. But I will tell you today the government's commitment to its reduction is resolute. Last year the debt-to-GDP ratio fell from 70.3 per cent to 66.9 per cent. In this fiscal year, it should drop to 65.3 per cent. As a Member of Parliament whose constituency bore a huge share of the burden of government downsizing, I can assure you that the sacrifices made by Canadians will not be squandered by this government.

Second, taxes are an important component of any globally competitive business environment. Canada's overall tax burden ranks average among the G-7 but the reality is it is 20 per cent higher than our major competitor for investment and human resources—the United States. In the budget, the government set out its plan for tax relief: It must be fair, focused on the individual and most importantly, it must be permanent.

The 1999 budget actions will provide an additional $1.5 billion of tax relief in this coming year, $2.8 billion the year after and $3.4 billion in 2001–02. The cumulative tax relief from the 1999 budget totals $7.7 billion over the three fiscal years.

The 1998 and 1999 budgets together provide tax relief totalling $16.5 billion over three years.

And our commitment is firm. As resources become available, the personal income tax burden in Canada will be further reduced.

Third, stronger productivity growth will require stronger business investment. The investment rate in Canada is much lower than that in the United States. Our rate of investment in machinery and equipment is about 30 per cent below that of our American counterparts.

Fourth, we need more foreign investment in Canada because it can bring new technology and ideas. We received about a quarter of North America's inward foreign direct investment in 1985; now we get only about 15 per cent. Think of the lost opportunities in terms of job creation, business survival and businesses created.

Fifth, Canadians must take more chances, innovate more often and bring our ideas to market. Technology must be used creatively, thereby closing Canada's innovation gap. Innovation is a strong determinant of productivity growth and intellectual property is a measure of innovation.

Our patent application rate is the poorest of the G-7.

Canada's private sector also spends less on research and development as a share of its GDP, despite our more generous R&D tax incentives. Nortel, of Mississauga accounts for 25 per cent of industrial R&D in Canada and while we should applaud Nortel's performance, we should be mindful of the opportunities that could emerge if more companies followed its lead. According to a recent survey by Statistics Canada, fewer than 1 per cent of Canadian firms perform any R&D.

Moreover, not enough Canadian ideas are commercialised in Canada. We must reap the rewards of Canadian creativity. This slide shows examples of six products developed in Canada, but commercialised abroad.

Sixth, we must continue to invest in our employees. According to the World Economic Forum, we are first in producing knowledge workers. But on-the-job training is essential and Canada is weaker in this increasingly important area.

Seventh, Canada is a world-class trading nation, one of the most open economies of the G-7. Trade represents just under 80 per cent of our wealth; 40 per cent of our production is destined for other markets. Nevertheless, our top five exporters account for 21 per cent of Canadian exports and less than 10 per cent of our small and medium-sized businesses export at all.

Taken together, training, trade, R&D, the World Economic Forum ranks Canadian businesses as 15th in terms of company operations and strategy and that ranking is dependent on too few firms.

Earlier in my address, I spoke of the need to move in partnership in addressing the productivity agenda. The government started down this path with Building a More Innovative Economy back in 1994 and has broadened its strategy with the last federal budget.

There is no quick fix. There is no single action. It requires that everybody in the Canadian economy play his part. For our part, we are helping to foster the creation of knowledge and innovation.

In 1997, the Canada Foundation for Innovation was created with an $800-million investment from the federal government. The Foundation's mandate is to fund new and modernised research infrastructure at our universities, colleges, not-for-profit research institutions and research hospitals. On Tuesday, our government announced it is increasing its investment by an additional $200 million.

To ensure that our research infrastructure is fully utilised by the brightest minds in the country, the government has further increased its support to the research-granting councils and the National Research Council by more than $120 million. Through these federal agencies, we fund research that may win more Nobel prizes and, more significantly, may also save or improve millions of lives as was the case with Banting's work on insulin, one pre-eminent example of success in Canadian research.

We are accelerating our efforts to disseminate knowledge.

We started with the most promising prospect for our future—Canada's youth. As I mentioned at the beginning my address, we are going to lead the world in ensuring that state-of-the-art technology will bring the world of knowledge to Canada's youth. This achievement will be strengthened by connecting 10,000 urban and rural communities to the information highway. And with Tuesday's budget, Canada will pioneer yet another on-ramp to the information highway with the Smart Communities demonstration projects.

We are also accelerating the creation of knowledge and we will commercialise ideas in Canada!

Technology Partnerships Canada has invested in the commercialisation of innovative technologies. Repayable TPC investments leverage private-sector innovation and I want to highlight just two of the many examples of this kind of partnership.

A $30-million TPC investment is enabling Ballard Power Systems of Burnaby, B.C., to develop a fuel cell that could revolutionise how the world powers its cars, lights its buildings and heats its homes through the development of new, environmentally friendly power sources.

Our $60-million partnership with Pasteur Merieux Connaught Canada of Toronto has landed the worldwide mandate for the development, production and export of therapeutic cancer vaccines.

These examples typify the knowledge-based economy where ideas open the future to economic opportunity.

We are also developing sector innovation strategies such as the Next Generation Manufacturing Strategy working in partnership with the Alliance of Manufacturers and Exporters of Canada to identify technology priorities and projects that will improve productivity.

Moreover, I have appointed an Expert Panel on the Commercialization of University Research as part of the Advisory Council on Science and Technology. We can't afford to lose commercialisation of ideas whether they be synthetic insulin or an artificial heart. Our Networks of Centres of Excellence have brought together the best of the best minds in a uniquely Canadian way that creates ideas like sparks off a flint. I want those sparks to ignite and blaze as many productive paths as possible. I want Canadian ideas to create Canadian opportunities in terms of jobs and growth.

In some sectors, Canadian businesses and workers challenge the world, and foreign companies are investing in Canada. Our aerospace industry is setting standards for the world and grabbing market share that was unimaginable 10 years ago. In the auto sector, Canadians have doubled their share of the North American market over the last three decades.

In January, I had the pleasure of participating in the announcement of a $150-million expansion plant of the Swedish firm Astra Pharma in Mississauga. They chose Canada because of the right intellectual property framework, the access that Canada offers in the North American market and their ability to find Canadian workers with the right stuff. This proves that when Canadians go head-to-head with others around the world, we can come out ahead with good jobs that pay good salaries. In other words, productivity pays.

But we must broaden these success stories across all fields of economic activity.

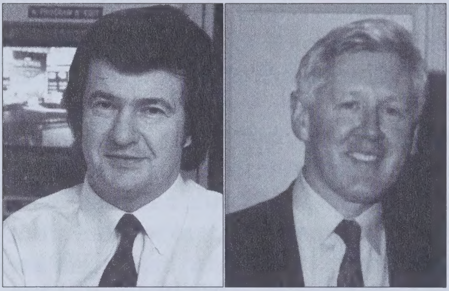
On Tuesday, my friend and colleague Paul Martin spoke for one hour and twenty-two minutes in the House of Commons. I'm not going to try to outdo him here. He predicted that in the fiscal year 2000, we will have our fourth consecutive balanced budget or better. We are truly making history. Only twice since Confederation has the government recorded balanced budgets for at least four consecutive years. This was not done by politicians alone. All Canadians played their part. Sacrifices were made by everybody to achieve the fiscal success for which we can all be proud.

As we look to the 21st century, we can pull that same resolve together as a nation, to address the productivity challenges that are core to a better standard of living. The title of my speech is Putting People First. This is what this agenda is about.

Today I ask you to join the partnership to find the winning combination of skills, resources and technology to secure a standard of living that Canadians rightly deserve. Because this standard of living that I envision means high-quality, accessible health care, a strong educational system second to none, a society that provides real opportunities for youth and security for their parents and grandparents.

This is what makes a country the best place to live in the world. When we look at our productivity challenge, I hope you will agree with me that it is not too late to turn the OECD's warning of complacency into an opportunity for everyone. Thank you.

The appreciation of the meeting was expressed by Gareth S. Seltzer, Vice-President, Private Wealth Management, Guardian Capital Advisors and Immediate Past President, The Empire Club of Canada.



February 25, 1999

Tony Burman
Head, CBC Newsworld

The Hon. Bob Rae
Partner, Goodman Phillips & Vineberg and former Premier of Ontario

PRIVACY AND THE MEDIA: TWO PERSPECTIVES WHAT DOES THE PUBLIC HAVE A RIGHT TO KNOW

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Mary R. Byers, Author and Historian and Honorary Director, The Empire Club of Canada; Yvonne Cuellar, OAC Student, Parkdale Collegiate Institute; Reverend Dr. Andrew Stirling, Senior Minister, Timothy Eaton Memorial United Church; Vincent A. Carlin, Chair, School of Journalism, Ryerson Polytechnic University; Timothy S.B. Danson, Partner, Danson Recht & Freedman; The Honourable Sidney

B. Linden, Chief Justice, Ontario Court (Provincial Division); Knowlton Nash, Chairman, The Canadian Journalism Foundation; John D. Ferguson, Senior Vice-President, Corporate Communications and Public Affairs, CIBC; Edwin Goodman, Partner, Goodman Phillips & Vineberg; Frances Lankin, MPP Beaches Woodbine, and former Minister in the Rae Government; Bob Culbert, Executive Director, CBC Television News and Public Affairs; and C. Alex Squires, Managing Partner, Brant Securities Ltd. and a Director, The Empire Club of Canada.

Introduction by George L. Cooke

We are twice honoured today, having two guest speakers each prominent within his area of expertise. The Honourable Bob Rae, former Premier of Ontario and Partner with Goodman Phillips & Vineberg and Mr. Tony Burman, Head of CBC Newsworld, are here today to give their individual perspectives of privacy and the media.

Bob Rae in his current role of Partner with Goodman Phillips & Vineberg serves a client list which includes Canadian companies, trade unions, charitable and non-governmental organisations, as well as governments themselves. He has extensive experience in negotiation, mediation and arbitration. He also shares responsibilities for the operation of the firm's foreign office.

Mr. Rae served as Premier of Ontario from 1990 to 1995 and was elected eight times to federal and provincial parliaments before his retirement from politics in 1996. He led the New Democratic Party of Ontario from 1982 to 1996 and served as Leader of the Official Opposition before becoming Premier.

Mr. Rae has a B.A. and an LL.B. from the University of Toronto and was a Rhodes Scholar from Ontario in 1969. He obtained a B.Phil. degree from Oxford University in 1971 and was named a Queen's Counsel in 1984. Mr. Rae received an Honorary Doctorate of Laws from the Law Society of Upper Canada in 1998, and was appointed to Her Majesty's Privy Council for Canada in the same year.

Mr. Rae heads, or is a participant in, numerous committees which represent charities or involve important issues.

He has had two books published: "From Protest to Power" and "The Three Questions," and is a regular columnist in The Globe and Mail. He is an Adjunct Professor at the University of Toronto and an Associate Fellow of Massey College.

Tony Burman is one of the CBC's most widely experienced journalists. He has assumed a variety of senior programming and management roles and produced many award-winning news and documentary programmes with both CBC television and radio over the past 25 years.

He was appointed Head of CBC "Newsworld" effective February 1. He had served as executive producer of CBC television's nightly flagship news and current affairs hour since January, 1993, when he was asked to take over CBC "Prime Time News." He initiated the redesign of the CBC "Newshour," its return to the traditional 10 o'clock time slot and its successful transition to "The National."

Previously, Mr. Burman was appointed Chief News Editor of CBC Television in August, 1990, where he oversaw the entire English news service of the corporation. He was responsible for all of the major news programmes and news specials on the network, including special coverage of the Oka blockage in 1990, the Gulf War in 1991 and the Charlottetown Referendum in 1992.

Prior to that assignment (1985–1990) he was a senior documentary producer for five years with "The Journal" where he produced many Gemini award-winning documentaries which were rebroadcast on the BBC, PBS and other foreign networks. From 1982–1985 Mr. Burman spent three years based in London as the European Bureau Producer for "CBC Television News." Prior to being posted abroad, Mr. Burman was Executive Producer of "The National" (1980–82) and created the redesign of the newscast when it moved in 1982 to its new prime-time slot of 10 p.m. (joined by "The Journal"). Between 1975–80, he served with "The National" in Toronto in a variety of editorial roles. Prior to 1975, Tony Burman worked for CBC Television in Montreal as a current affairs story editor; and for CBC Network Radio in Montreal as a contributing producer to "As it Happens" and executive producer of "Cross Country Check Up," the CBC's national open-line programme.

Mr. Rae, Mr. Burman, welcome to The Empire Club of Canada.

Tony Burman

I stand before you, humbly, as a typical representative of the Canadian media—self-righteous, sanctimonious, hypocritically pious and hollow to the core, loved only by my family and my daughter's gerbil and I'm admitting all of this because the public has a right to know.

The other day I was reading a new book by a certain former Ontario premier and the following sentence leapt off the page and socked me in the nose:

"No institution in civil society is as self-righteous or unexamined as the media."

As part of the CBC, I'll certainly concede that we can be self-righteous—we actually think that this is part of our charm—but surely we're not unexamined. However, my goal in the next few minutes will be to scamper in the direction of some safe moral high ground so that by the end of this lunch, both Bob Rae and I are in agreement that Jerry Springer is the cause of it all.

I appreciate the opportunity to speak about Privacy and the Media. It's a timely issue, and one that the CBC—both radio and television—wrestles with every day.

This debate is even more urgent now because so much information is available. Virtually every media outlet in this country has an Internet connection and most have web sites where debate and discussion never stop.

Technology is one big part of the change. We are doing amazing things with computer chips, and this is raising fears about the rise of a 'surveillance society.' Advances in technology have made it routine for much of what people do to be recorded electronically.

American culture critic Neil Postman gave a speech in Toronto last May in which he urged journalists to transform information into knowledge, and knowledge into wisdom: "Like the Sorcerer's Apprentice, we are awash in information without even a broom to help us get rid of it."

As Canadians, we have had a front-row seat in that Great American Drama which never seemed to take an intermission. From the land of Gary Hart, Clarence Thomas and O.J. Simpson, where the line between private and public lives has long been blurred, we got 12 unrelenting months of Clinton and Lewinsky.

In the debate over privacy, this saga is likely to be a watershed in the United States. For all of the sins of Bill Clinton, the episode became, among other things, a breathtaking invasion of the privacy of so many people by Kenneth Starr, the Republican Party and the American media, each of them feeding and encouraging the prurient appetites of the other.

On the politicians' part, it seemed to be another chapter in that unfinished cultural war being waged since the 1960s, aimed at eliminating 'enemy ideas' from the American moral landscape. On the media's part, it was a grasp at staying alive in the brutal competitive marketplace of the American media today.

The heroes in this sordid affair have been the American people who consistently in polls have shown that they at least know the difference between private passions and the public interest—the difference between what may be 'interesting' and what is 'important.'

So what are the lessons from all of this for Canadians and, in particular, the Canadian media? Although we have our own unique set of imperfections, Canadians have generally been indifferent to the private lives of public figures, and our media have consistently been far less aggressive than Americans in this regard.

I remember as far back as 1976, I was lineup editor for The National on CBC Television which meant that I was part of the team which determined the order of the stories on the newscast.

A big topic of gossip then was the state of the relationship between Prime Minister Trudeau and his wife Margaret. But like most of the Canadian media at the time, we virtually ignored the personal side of their marriage until they actually separated even though we kept getting calls from American networks who were mystified that we weren't getting the story for them.

Ten years later, I produced a documentary profile for The Journal of Nelson and Winnie Mandela. Nelson was still in jail, and Winnie had been harassed and exiled through most of their married life. Winnie Mandela was my key interview and the focus of the piece was to assess the charges which sent her husband to jail. Before we said good-bye to each other, she asked me whether I would be reporting any of the rumours that were swirling around South Africa about her personal life. I said: "No, that isn't our story."

In spite of Clinton, Lewinsky and Linda Tripp—and this is my self-righteous side speaking now—I suspect that approach would still be the case today for the CBC—and for most of the established Canadian media. And that is a good thing.

But there's more than Canadian gentility at play here. Canada's criminal code protects the privacy of citizens in a way that laws in Europe do not. Our photographers are more restricted. You can't stalk people here like Britain's tabloid press did to Princess Diana. And Canadian libel and slander laws are among the world's toughest.

Undoubtedly there is a growing public interest here in Canada in privacy issues. And our courts are reflecting that. Last year, in a case involving the CBC, the British Columbia Court of Appeal overturned a lower court's conviction of someone arrested on a police raid. The court ruled that the person's privacy had been invaded even though there was a search warrant because the police had invited a CBC television crew to accompany it on the raid.

For its part, the CBC has always taken privacy issues very seriously. We are not only the national public broadcaster but we are still a large news organisation in this country (or at least we were at noon, when I last checked) and we have an obligation to try to set and keep high standards. And to do so in an open and self-critical way. (For a group of the most thin-skinned journalists on the planet, this is not always an easy thing.)

Our 'bible' is a handbook of CBC Journalistic Standards and Practices. It's a large and detailed policy book that outlines the CBC practice on a wide range of journalistic issues. It is to these policies that anyone in the public can hold CBC journalists accountable. (Which is one reason you keep reading about us in your local newspaper.)

These policies are constantly under review. In the past year, senior journalists from the CBC's four media lines—Radio and Television from both the French- and English-language services—have worked on new language on a variety of privacy issues: hidden cameras and microphones, identifying criminal suspects, interviews without the consent of the subject, monitoring cell phones and the like.

A particular concern at the CBC is how do we avoid those sensational intrusions into people's grief and privacy, that can often be almost predatory. We now have policies that limit that.

In 1986, the Challenger Space Shuttle blew up with the school teacher Christa McAuliffe aboard. Some of you may remember the photograph that appeared the next day in hundreds of American newspapers and dozens of Canadian ones. It showed the parents and sister of Christa McAuliffe. According to the picture's cutline, this was a family in grief, photographed moments after the explosion. It triggered a real controversy over whether this was an intrusion of this family's privacy.

It was only the next day that it was learned that this picture was actually taken minutes BEFORE the explosion. (and we wonder why the public views the media with suspicion!)

But in spite of all of this, freedom of expression and freedom of the media are cornerstones of our society. Freedom itself can't flourish without the free flow and exchange of ideas, opinions and information. It's a principle of our democracy and vital to the defence of individual liberty. And at the CBC we accept that to share in this freedom there are obligations that come with it.

As there is a need for truly effective media, there is a need for public confidence in the media. The essential role of the Canadian media—we would like to believe—is to provide the information people need to participate fully in this democracy. To help Canadians understand the issues influencing their lives and the choices facing them as citizens.

The fact is that a lot of politicians, once elected, don't quite do what they said they would do when they ran. So voters don't only look at issues. They look at more abstract considerations such as 'character' or 'integrity' or 'trustworthiness.' And that's where the personal and private lives can sometimes intersect.

We also shouldn't forget the 'other side' of 'privacy'—the notion that in some ways it is a late 20th-century device employed by scoundrels who have sought publicity through much of their lives as politicians, movie stars or public figures but at the last moment—usually before arrest—they claim the right to privacy.

The point being that there aren't only two actors in this play The Prominent and The Press. There is The Public.

It's the public's right to know—not the media's right to know—that matters. And whenever the media abuse their power, we deserve the public's wrath.

But the excesses of our American neighbours shouldn't blind us from the fact that there is a public interest. The public does have a right to know about the issues and people that shape their lives and there are forces determined to shield the public from knowing many things which it truly needs to know.

As James Thurber once wrote: "Conscience is the awareness that someone might be watching."

Which is all to say—in conclusion—something that I'm sure Bob Rae will agree with: It's all Jerry Springer's fault.

Bob Rae

I very much appreciate the chance to speak to the Club and to follow Tony's comments. When he was describing the scoundrel who claims the right to privacy, I trust he wasn't speaking about me because he was referring to somebody about to be arrested—unless he knows something that I am not yet aware of.

Orwell describes in “1984” a totalitarian world from a political standpoint in which there is a television in every room. The television is watching Winston Smith and everyone else and the Orwellian description is one that we’ve always associated with political totalitarianism and with political dictatorship. Orwell was even more prescient than he knew because the problem is not so much that somebody is watching us. There are very few transactions that one can undertake in today’s society without some record being kept of that transaction. This is not just about politicians or even recovering politicians. It’s about citizens. What I think is troublesome about the culture in which we are living is that the right to know is suddenly transformed into a world in which there is literally no private space. I hope all of us recognise the horror of Orwell’s vision in which there was no private space and in which even private relationships could not be privately consumed without being reported on and without being observed and ultimately used to betray Winston Smith and ultimately destroy him.

This is not just about politics though of course it is impossible for us to talk about the theme of privacy in the media without immediately thinking of politics and events south of the border over the last while. I have no observation to make about that other than to say that in my opinion the nation has no place in the bedrooms of the state. You can use that if you like. I think it is quite good. It has a certain ring to it.

The definition of a culture is one in which those who are participating in it have a symbiotic relationship to it. There is something in the confessional style, particularly of American politics but not just American politics, which contributes to the end of privacy. In order to satisfy the public’s interest in the whole picture, the whole personality and the whole character, people often feel a need, particularly the politicians south of the border, to confess, to talk, to describe the 12-mile walk to school in bare feet and all other elements of one's upbringing.

It is hardly any surprise that people would say: "Well if that's the story you want to tell about your personal life and your private life let's find out if it's really true," I must confess from that perspective it's entirely fair game. I often feel that part of the answer to the issue of how we re-establish some sense of private space and some sense of where the penetrating eye of the media can and can't go is for the people who are subject to that eye to say: "None of your business." Imagine for a moment how different the debate over the last year and a half in America would have been if instead of saying "I never did it; it never happened," someone had said: "It is none of your business."

I think in Canada, as Tony has well described, there is a very broad general view that there are issues that are not worthy of discussion or debate. We don't think it's important to discuss publicly the sexual orientation of people who are in public life. I think that's an enormously healthy sign. Let people decide how they want to describe themselves, how they want to present themselves. Whether they choose to do so or not is entirely their business. The fact that we are still thankfully living in a culture where it is possible to do that is an entirely good sign.

But it does require discipline from both sides. It isn't good enough for people to simply blame the media because people watch the media and the media is responding to what they perceive as a public appetite and a public desire to know. Sometimes that desire is prurient. It is not fed entirely by the media. It is something which the public itself establishes.

And here I must confess to being a little more troubled. Because I am not an official of the CBC I have to look at the whole of the media and conclude that I don't think anybody can look at the dumbing-down process that takes place and not be concerned. Stories which five or 10 years ago would never have appeared in a newspaper now often appear in the guise of a gossip column. The Internet has played a substantial role in this in terms of the amount of information and rumour and insinuendo which is quite easily spread and quite easily accessible and which normally established media feel a need to compete with and to compare with and to respond to. This is an issue that has got to be troubling to everyone.

Let me conclude by saying that the most important issue that we have to recognise is two-fold. First of all this is not an issue about politicians or people in public life seeking some sort of special status for themselves. I fully accept and fully endorse that there is a public right to know and that it's inevitable that people want to know about other people. When people become subjects of public notoriety or public interest it's inevitable, natural and entirely to be expected that there will be all sorts of comment and commentary about what kind of a person is so and so and what kind of a life does he or she in fact lead? What is that person really all about? I want to stress this question of privacy is not a special issue for the political class or for the business class or for anyone else. It is an issue that affects each and every citizen. It is about our willingness to establish a civil political culture. It is about our willingness to establish a civil culture generally in which we recognise that we don't need to know or ought not to know absolutely everything about everybody. That there are areas of life which are legitimately to be set aside and not to be subject to public discussion.

Finally let me assure anyone in the audience that I would be the very last person who would seek further public regulation of this issue. I think most of the suggestions as to how to deal with it create a set of issues that are much worse than the original problem. The issue frankly is self-regulation. Regulation by all of us as consumers. If we turn off the set, if we refuse to buy the media, if we don't buy the argument, I think that will begin to change the culture. I would be very surprised for example if there weren't some real issues raised on a long-term basis with respect to what's taken place in the United States because of the enormous human impact on literally dozens of people and on many many lives. It means of course a sense of responsibility by the media. I think the kind of code of conduct which Tony has described for the CBC is one that everybody should be reflecting on and thinking about. But fundamentally it is a question of our own willingness to respect each other's place, each other's sense of space, and each other's sense of having a life that is lived outside the realm of Orwell's searching and never-ceasing eye.

Thank you very much.

The appreciation of the meeting was expressed by Knowlton Nash, Chairman, The Canadian Journalism Foundation.

Preston Manning, MP Calgary Southwest and Leader of the Official Opposition, George L. Cooke, President, The Empire Club of Canada and President and CEO, The Dominion of Canada General Insurance Company and Gareth S. Seltzer, Vice-President, Private Wealth Management, Guardian Capital Advisors and a Past President, The Empire Club of Canada.

March 11, 1999

Dr. Linda Harasim

President and CEO, TeleLearning Network of Centres of Excellence

TELELEARNING CONTRIBUTING TO CANADA'S COMPETITIVE ADVANTAGE IN THE KNOWLEDGE ECONOMY

Chairman: **William D. Laidlaw**
Second Vice-President,
The Empire Club of Canada

Head Table Guests

Edward P. Badovinac, Professor, Department of Telecommunications, George Brown College and a Director, The Empire Club of Canada; The Rev. Philip Bristow, St. Philips on The Hill Anglican Church, Unionville; Malcolm Roberts, Senior Manager, Bank of Montreal Institute of Learning; Ginny Dybenko, Vice-President, Communications, Bell Canada; Dr. Claude Lajeunesse, President and Vice Chancellor, Ryerson Polytechnic University; Pauline Couture, Principal, C_2O and Company, Strategy and Communications; David Crane, Economics Editor, Toronto Star; Wendy Berney, President and CEO, ITC Canada Ltd.; and L. Douglas Todgham, Vice-President, The Canadian Institute for Advanced Research and a Director, The Empire Club of Canada.

Linda Harasim

Ladies and gentlemen, thank you for this kind invitation. I'm delighted to have this opportunity to talk about the work we are doing at TeleLearning Network of Centres of Excellence (TL•NCE), and how we feel we can contribute to Canada's competitive advantage in the knowledge economy.

I hope I can communicate my passion for this subject, our sense of capability, but also a sense of urgency, because all of us have something at stake here.

The United Nations has repeatedly ranked Canada number one on its human development index—a commonly accepted measure of quality of life. And that's wonderful. But at the same time, I'm concerned that we not rest on our laurels.

The roots of prosperity—the nature of wealth generation itself—have fundamentally changed. Not only the rules of the game, but the nature of the game itself, has shifted.

The whole world is undergoing a revolutionary shift to the knowledge age, in which brainpower will dominate over muscle power. Knowledge workers—people who are paid to think—are the backbone of the knowledge economy.

Briefly, knowledge work involves the creation of intellectual property—using ideas (knowledge and brainpower), rather than muscle, to create value. That's why it's fundamental to develop the attitudes and skills which encourage inventiveness, innovation, analysis, and progressive problem solving.

My remarks today will focus on how we can meet these challenges head-on. How well is Canada positioned to survive and thrive in the knowledge era? Are we investing as quickly, adequately and wisely as we should?

Now about resting on our laurels. For those of us who are listening, there have been some alarming wake-up calls recently. The OECD has been harshly critical of Canada—and it's easy to understand why.

Alone among the G-7 countries, our productivity is falling—not just traditional labour productivity, but what I think of as "inventive productivity." In other words, as an economy and a society, we're not innovative enough. In the OECD's assessment, we're falling down on developing or adapting new technologies. We're not investing in enough new research.

And too many sectors in Canada's economy are resisting change—the first among them my own, the world of education. We aren't generating enough university graduates—17 per cent of the population versus 25 per cent in the United States.

And according to Charles Sirois, a leading entrepreneur and CEO in the fields of telecommunications and information technology, the university graduates we do have aren't necessarily in the "critical disciplines" our economy needs.

In a recent speech to the Canadian Club of Montreal, Mr. Sirois made a passionate case that Canada needs more knowledge workers. He said the lack of skilled resources is the major competitive challenge Canada faces today and it's aggravated by a major brain drain, at a time when we need a brain gain.

You aren't imagining that big sucking sound from the south.

Forty per cent of information technology graduates from our leading school in the field, the University of Waterloo, are scooped away by U.S. companies each year. This is equivalent to a brain hemorrhage, and we have to stop it.

David Crane, who is with us at the head table today, has often issued wake-up calls of his own as economics editor of the Toronto Star. He would probably agree with

Charles Sirois that Canada's most urgent economic priority is to increase drastically the number of high-value knowledge workers who are committed to staying here and to making Canada an ongoing economic success.

In order to do this, I agree with Mr. Sirois that we will need an in-depth reform of higher education. We need to increase access dramatically. We need to add more leading-edge, "critical" disciplines—including developing new models of learning for ongoing knowledge building.

And we need to avoid the errors of the past. Repeatedly, we have allowed Canadian breakthroughs to slip away from us. For example, the University of Toronto's Faculty of Medicine now uses the Harvard method for case-based learning. Why didn't U of T pick up this highly effective method when McMaster University first developed it? To say the least, it's ironic that McMaster's cachet as a brand would be greater at Harvard, which immediately saw the merits of the system and adopted it, than within 50 kilometres of home.

CSILE is a knowledge-building technology developed here at OISE at the University of Toronto. It has long been renowned worldwide. And yet its American derivative receives far more funding from the National Science Foundation than we in Canada provide in research and commercialisation support for the original itself.

There are hundreds of examples in higher education alone. Too often, Canadians have been in the forefront of developing brilliant applications, which we later buy back from foreign suppliers with their mark-up slapped on. We have to stop being the intellectual hewers of wood and drawers of water.

But how can we reverse these distressing trends?

Charles Sirois called for "common ground" between the academic and business communities. At TL•NCE we are actually in a position now to offer some road maps to get there. We can build national prosperity and leverage a common purpose. We have a vision and model that can help to inform that strategy.

And we also offer some uniquely Canadian competitive advantages, including the NCE model itself. The strength of the model is that it takes a condition that is potentially a weakness—our status as a small population spread out across a huge land mass—and turns it into a strength by forcing us to work together, sharing funding and expertise.

Canada has only 10 per cent of the U.S. population. Not one of our universities has the resources of a Harvard, a Stanford or an MIT. The only way we can build world-class technology is by working together in a pan-Canadian network of centres of excellence, committed to developing the best telelearning approaches and technologies in the world.

The TL•NCE, like the other NCEs, enjoys funding from Industry Canada. We have to compete for these funds, and they are granted to us on the express condition that our work bring together business, the academic community, the public and private sectors to make a real difference.

In our case, that means that we link up 30 universities and 130 top researchers in the field of online, networked learning. We are constantly under the gun to advance the state of the art in ways that will change the real world. Our team is truly interdisciplinary: We have learning scientists, social scientists, and computer and engineering scientists.

But we're also interdisciplinary in a more profound, important and unique way. Research scientists from the universities are working closely with the private sector, the public sector and government—not only to generate new knowledge, but also to integrate it into the fabric of Canadian society, and to put this knowledge to work.

This is what distinguishes us from traditional research. Our group includes many world-class scientists. But there can be no funding for R&D that doesn't result in products and ideas that we are willing to back and commercialise. Our work has to be recognised and implemented at home. This is the only way to create value and to make a difference to the society and to the economy of our country.

When I first began to meet with the corporate sector to build support for the TL•NCE initiative, I was surprised to find a great depth of interest and commitment to quality education and a strong focus on building knowledge and on teamwork. After all, as someone said to me this week: "When I was in school, collaboration was called cheating. This collaborative learning stuff is a real stretch for me." Many corporations realise that stretch is deeply necessary. They need employees who can think, and who can invent the best solution, not just look for the "right answer."

Our partners at the Bank of Montreal's Institute for Learning were especially interested in working with us to refine new learning models and to establish what works in the field of telelearning.

Northern Telecom was also more interested in researching new models of learning with us than in selling to us as a new market segment.

And it's not just the business sector; the population as a whole is wide awake on this one: Public demand for more and better access to post-secondary education and training is significant and growing.

The TL•NCE is a living lab for the new models and technologies that enable knowledge building and collaborative learning. This means we are the source of tools to develop the knowledge workers Canada—and every other country in the world—needs so badly.

There are three key areas that need transformation if we're going to get there.

First, we need to transform access to higher education and training so that our entire population can keep on learning lifelong.

Second, we need to transform the quality of learning so that more of us can do high-value knowledge work.

And thirdly, we need to transform the very nature of learning, to encourage innovation and inventiveness.

Our TL•NCE partners, both corporate and public sector, are committed to a common vision of building a knowledge society in Canada, and to expanding our models, know-how and technologies worldwide. We are collaborating with 225 client communities from universities, schools, training organisations, large corporations and small workplaces, with unions, teachers' federations, and organisations across Canada and around the world.

Everything we hear from the public, our corporate partners, and the participants in our telelearning trials tells us that what we are doing is part of the very necessary reinvention of the university.

We have four beacon technologies: CSILE, focusing on knowledge building in the primary and secondary school communities; Virtual-U, focusing on post-secondary and corporate training—I'll discuss it at greater length shortly; Teleform, which focuses on continuing education; and Cadretel, a knowledge management and collaborative design tool.

These are all important to telelearning. But today, I want to concentrate on our Virtual-U software, which is currently the subject of the world's largest test bed for online networked learning.

We began in 1996, working with 12 universities, the Bank of Montreal and 2,000 members of the Canadian Union of Public Employees, in workplaces all over the world. Our network of researchers here in Canada is now opening up our field trials to universities in the U.S., Europe and the Caribbean.

We are currently studying 230 courses, 7,000 students and 150 instructors, and our research database is growing.

And what we're learning goes to the heart of my point here today: The TL•NCE is one of Canada's hidden gems.

We're learning about what works, what doesn't work, for whom and under what conditions. It's tremendously exciting.

We have found amazing results and profound transformations.

Virtual-U has transformed access to learning by making it available 24 hours a day, seven days a week. Students and instructors can log on and participate when it's convenient for them, from anywhere in Canada or around the world.

Increasingly, it's possible to use teams of instructors in different cities, or even different countries.

An overwhelming majority of students report a positive experience. One of my favourite stories is about Mary, a psychiatric nurse in Hamilton. Mary had to requalify because of new Ontario regulations. As a full-time nurse with four children at home, she couldn't attend regular university classes.

So she enrolled in a Virtual-U advanced psychiatric nursing course at Douglas College in B.C. She told us that "Virtual-U has massive capabilities... It's perfect for people who have kids and want to get back to the work force, for people who have disabilities and can't get out, for people who are on welfare and need to upgrade their skills. I love it and recommend it to anyone who is at least a little computer literate."

Think of the potential!

It's now possible to study just about anything online.

Most students would take online courses again, citing the effectiveness of the learning environment as well as better opportunity to manage their time efficiently.

Enthusiasm from master teachers, the most experienced professionals, has been extraordinary. We've had comments such as "epiphany" and "best experience of my career." This isn't to say that their experience was problem-free. But the results apparently made the learning curve—or in some cases, the 'learning cliff'—worthwhile!

Completion rates are dramatically high, comparing favourably with completion rates of face-to-face courses, and much higher than completion rates for print-based courses and online distance education.

The quality of students' work was often much higher than in classic courses. One new student told us: "I could not conceptualise how learning online would work. I imagined we all had to go online at the same time (like a chat line) or that my computer skills would not be adequate. Now that I have completed the course I would not want to do distance education in any other way! It was user-friendly, exciting, very interactive, and kept me interested and involved in learning as much as I could throughout the course."

Meanwhile, instructors describe the Virtual-U as a "Trojan Horse": "It took only two hours to realise that I was being exposed not only to a new technology but, even more importantly, to what was to me a new ideology, one that focused on student-centered collaborative learning." Many said they would raise their expectations of students in their face-to-face classes, having seen how bright and inventive they could be in the interactive networked learning environment.

I could tell you much more—about how active and engaged the participants are, about how this way of doing things places the resources where it counts: at the service of the learner.

We are creating the know-how, the learning models, and technologies that will catalyse and sustain the knowledge era. This is not trivial. It's changing the very fabric of how education and business work.

Just as electricity lit up our lives, telelearning has the potential to light up our minds, to develop knowledge workers, and to build a powerful new industry based on this brain gain.

In doing this, we are building on Canadian values which are integral to the very basis of a knowledge society. Collaborating, problem solving, leveraging and inventing within a multicultural community are part of the Canadian heritage. The beginnings of that experience are already wired into the way we think and behave. With the help of good science, we must transform these values and experiences into new mindsets, skill sets, and technologies.

To achieve these gains, however, investment in the quality of the learning environment and in effective instructional design is essential. The environment is sensitive. The greatest success stories, such as the University of Phoenix Online, Open University's MBA programme or the Virtual-U courses, are all associated with small class size. In every case, the instructors employed group learning and student-centered approaches.

Training and support in instructional design for telelearning courses is considered key. Instructors report the biggest challenge is not how to use the technology but how to conceptualise and design an online course.

Why does this matter? It's crucial to know if and how something works before investing in it. That's when it becomes a competitive asset.

However much we invest in technology, it's going to be insignificant in relation to our investment in human resources and training. The investment in technology and infrastructure seems huge to us right now, but it's actually a very small proportion of the cost of changing the way we operate. Unless we base that on knowledge of what works, we risk being dead wrong and wasting huge resources.

Technology can be used badly, perhaps even more easily than it can be used well. That is the TeleLearning advantage: a new model and strategy of networked learning that can generate and sustain the building and sharing of knowledge effectively in the future, avoiding or minimising the pitfalls and wrong turns.

Using even the most advanced and expensive technology is no guarantee of success. It is the design of the instructional model and approach and the ability of the technology to support proven, effective learning that are the key ingredients for success.

This focus on ensuring the quality and nature of learning distinguishes telelearning from the hype prevalent today. Everyone is jumping aboard the Web bandwagon. It's the next shining object, even though many are not clear about how it works and how to succeed.

This is where the TL•NCE provides such tremendous potential. We are generating answers to these critical questions—answers based on research. We've been studying it, we can tell people what works. It's not trial and error; it's designing the future.

That's why I am calling today for a massive collaborative effort. The TL•NCE can provide the forum for all sectors of Canadian society to come together to create the Canadian Virtual University—a culmination of all the best efforts this country has to offer.

We can build competitive advantage for Canadians by equipping them to achieve prosperity in the knowledge society in Canada. And we can share our knowledge globally.

We need to remember that knowledge is a perpetually renewable kind of wealth. The more we use it and share it, the higher its value.

The TL•NCE is one of many hidden gems in this country. But the generous, prosperous future we envisage calls for a treasure chest.

All the efforts of the past to find the perpetual motion machine, or the alchemist's formula have culminated in the understanding that the human brain is the true engine of wealth.

What an exciting time to be an educator!

We feel honoured and privileged to be working on building these tools. We—all of us here—are the custodians of the future. It is our duty to ensure that we can build on this know-how and these values.

If we do it right, we can create a rising tide which lifts all boats. We need not continue with the models which divide society into haves and have-nots, knowers and know-nots.

For the first time in history, spending resources—intellectual resources—can yield compound interest instead of depleting our capital.

If we work fast, we can spread this model so that greater and greater numbers of Canadians are learning—not dropping out but completing, contributing, enjoying, performing better and differently. They will be doing not only better work, but also different work—solving problems, not just generating the right answers.

The Canadian Virtual University would be a powerful engine for building knowledge work capacity and prosperity. It would revolutionise access, transcending boundaries of time and place for post-secondary education and training. It would revolutionise the quality of education and training. And it would revolutionise the nature of education and training by focusing on inventive productivity, collaborative learning and knowledge building.

This isn't something that should wait 10 or 15 years. I urge you to partner with us, invest in this kind of learning, take away ideas and use them; benefit from them.

We want you to know about us, and to help us build a whole new industry around telelearning in Canada, and as our contribution to global understanding and prosperity.

We have the know-how, the people, the skills and the values.

Let's take all our hidden gems and put them into a collective treasure chest that will make the whole world a better place to live and learn.

Thank you.

The appreciation of the meeting was expressed by L. Douglas Todgham, Vice-President, The Canadian Institute for Advanced Research and a Director, The Empire Club of Canada.

Margaret Godsoe, Art Gallery Volunteer for the past 53 years, Gwyne Willmot, L.V.O., AdeC to The Lieutenant-Governor of Ontario and a Director, The Empire Club of Canada and Matthew Teitelbaum, Director, Art Gallery of Ontario.

March 25, 1999

Jane Pepino

Chair, Women's Health Council

THE MANDATE OF ONTARIO'S WOMEN'S HEALTH COUNCIL

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Catherine Steele, Vice-President (Toronto) and Partner, Gervais Gagnon Covington & Associates and a Director, The Empire Club of Canada; Dr. Diane Bridges, D.M., J.P., Director of Pastoral Care, Brampton Memorial Hospital; Zahra Kanji, Grade 11 Student, President of Student Council, Bishop Strachan; Virginia McLaughlan, Vice Chair of the Board, Sunnybrook and Women's College Health Sciences Centre, Women's College Campus; Mike Cloutier, President, Searle Canada; Pat Campbell, Office of the Chief Executive Officer, Sunnybrook and Women's College Health Sciences Centre, Women's College Campus; Joanne Arh, Vice-President, Women's Health, Eli Lilly Canada; Dr. Anna Day, Chief of Medicine, Sunnybrook and Women's College Health Sciences Centre, Women's College Campus; and Gareth S. Seltzer, Chairman, Funds Development, The Canadian Breast Cancer Foundation, Vice-President, Guardian Capital Advisors and Immediate Past President, The Empire Club of Canada.

Introduction by George L. Cooke

It is my pleasure to introduce as our guest speaker today, Ms. Jane Pepino, Chair of the Women's Health Council. This is a new role for Ms. Pepino and she is here today to provide us with information about the Council, its role and responsibilities, and some of the challenges she expects to face in this new position.

A graduate of Osgoode Hall Law School and the University of Texas, Jane Pepino is a partner in the Toronto law firm of Aird & Berlis. In her law practice she concentrates on development, planning and municipal law, acting both for the private and public sectors.

Over the past two decades, Ms. Pepino has served on a number of boards and commissions. She is currently Chair of Women's College Hospital, and a member of the Board of Sunnybrook and Women's College Health Sciences Centre and the Bishop Strachan School.

She served for 10 years as President of METRAC, dealing with the issue of violence against women and children. Ms. Pepino has also served on the Ontario Human Rights Commission, the Metropolitan Toronto Board of Commissioners of Police and the Canadian Advisory Council on the Status of Women. In addition, she has chaired a number of special enquiries and task forces on topics as diverse as correctional half-way houses, women in politics, temporary absences from prison and dangerous offenders, police-community relationships, and violence against women and children.

Ms. Pepino, welcome to The Empire Club of Canada.

Jane Pepino

Thank you for the generous introduction. I'm very pleased to be here today to give you an update on what's happening in women's health.

It was the Minister of Health, Elizabeth Witmer, who persuaded me to take on this role as Chair of the Women's Health Council. I know her personal commitment to the issue of women's health and that was the main reason I decided to accept the role. I look forward to working with her new Deputy Minister of Health, Jeff Lozon, who has just started in his new position—the job many people refer to as the worst job in the province. The new organisational structure at the Ministry should ease that, and the Council promises not to make that job any harder than it has to be, but we will be asking the Ministry to view things and then do things in new ways, on the basis of new attitudes.

There has been a lot of lip service to the subject of women's health over the past decade, and it has made cynics out of a great many women. My personal feeling after working with the hospital system has been one of frustration, that the health system is not a system, but rather a collection of redundancies, gaps, ingrained funding structures and lengthy processes that can be counter-productive.

Two years ago if anyone had suggested yet another committee or working group I would have had doubts about the value of such a process. Advocates for women's health already had some clear priorities about what needed to be done, but no one seemed to be moving forward or supporting new ideas. I would have said, "Give us some money, some teeth, some power and some freedom to move, or get out of the way."

Then I had a chance to talk with the Minister about what she really wants and how important it is to get through the transition from talking to doing. How do we put some fuel into these concepts and get moving? Over time I began to see what an inspired radical this Minister is. And then I began to really like her.

By the time she asked me to chair the Women's Health Council I was thinking: "This is terrific, I know exactly what I want to do and this Minister is genuinely committed to women's health. We'll have everything we need to get going: money, teeth, power and freedom to move. Hallelujah!"

And I also remember thinking: "This is a huge task; where will I find the army to help get it all done?"

I can tell you today that I haven't had to ask Mel Lastman for that special phone number. The army we need in order to generate true reform in women's health is already in place. They are disguised as parents and people with parents, research scientists, CEOs of hospitals and health industries, educators, and health professionals in every city in the province. Even a few lawyers.

And now they have a voice. The opportunity for constructive advocacy—to move from talking to doing—needs a place and a forum and often a microphone. The voice of women in this province now has a place to be heard, and a group who are mandated to be their advocates. We have microphones. We have e-mail. We have access to the best and the brightest to advise us on what works and what doesn't. Thanks to women advocating for their own health for many years, the Women's Health Council can begin to advocate for them and with them.

Over the past several months I have met with dozens of organisations to talk about what it means to women to have a health system that doesn't know what to do with us. Women don't even have heart attacks the right way, which means we don't have heart attacks the way men do, and that's the only kind that anyone knows very much about.

The first thing you learn in a position like this is the importance of looking at every question through a gender lens: in other words, asking "how will this impact women; have they been included?" Rather than focusing exclusively on hospital-based programmes and services, even research, we have to examine the entire continuum of care to see how it affects women.

Does the health-care system do more than treat the current illness? Are women receiving the help they need to maintain health, prevent disease and manage the risks that jeopardise their health? Do we have any models of health-care delivery that are capable of addressing women's health-care needs?

I'm reminded of the motto from Women's College Hospital—*Non quo sed quo modo*—it's not what we do, but how. The idea is that different models of care and a different style of care can make all the difference, rather than just more people providing services in more places. It's an attitude that says women come first, and respects the realities of their lives, in something as simple as scheduling or changing appointments.

Because that motto "not what we do, but how," was turned into reality with innovative, responsive programmes, the World Health Organization named Women's College Hospital the only "collaborating health centre" in the Western Hemisphere. In other words, we were asked to teach our model of health care to other institutions in other countries.

That philosophy differs remarkably from the routine experiences of women in Ontario. To be on the receiving end of health care that simply treats her broken leg without ever addressing her risk of osteoporosis is simply unacceptable to women in this province. Next year you can repair that leg again, or a hip, or an arm. Doesn't it make more sense to help the patient prevent the disease of osteoporosis, or, once diagnosed, to manage it rather than continue like this? As part of managing one's personal health, doesn't it make sense to understand what types of health-education programmes have the best recruitment and retention; what types of programmes do women respond to best?

The National Academy on Women's Health Medical Education adopted a definition of women's health in 1994.

> "Women's health refers to an interdisciplinary and multidisciplinary approach to conditions that hold greater or different risks for women, or are more prevalent in women, where care is based on research that incorporates physiologic and psychosocial gender differences."

That definition means far more than doctors treating episodes of illness. It recognises that the way we live, the pressures and demands and limitations that are placed on women, affect women's health and in a way that is different from men. Not just today's sense of well-being, but also the risk of future illness and a woman's willingness or ability to adhere to the treatments prescribed and therefore mitigate future risks. Those risks have to be recognised in conjunction with the physical realities of very different bodies that do not react to treatments the way that men's bodies do.

That's a powerful combination that is often not well handled by any one health professional. The family practitioner needs the benefit of expert support from specialists and allied health professionals and—get this—they need to talk to each other. They need to talk to the women whose lives they are planning, they need to work together and they need to have technology and other communication tools to support that effort.

Does that sound radical? Apparently it is.

Today I'll tell you more about why women's health is an important issue, and what the Womens Health Council is planning to do about it. I can also tell you some of the encouraging news from the Ministry of Health about priorities for women's health.

The Council was formally established in December 1998 with 15 members, including me, drawn from a wide range of experts in the academic, research, treatment, public and community-health sectors, as well as from the corporate sector. We report directly to the Minister of Health as her expert advisors. Our purpose is to advise the Minister on how to ensure a responsive, quality health system for women.

We have a mandate to:

- advise the government and key stakeholders on health issues affecting women;
- advocate for improvements in women's health in Ontario;

- promote women's health research, identify gaps and disseminate information on current research activities;
- communicate the Council's activities as widely as possible; and
- provide advice to the Minister on the allocation of the $10 million for women's health-care projects.

Let me explain what that means.

The first point was to advise the government and key stakeholders on health issues affecting women.

Those of you who are not accustomed to working with government may think that sounds a little vague. But I can assure you that it tells the Council that we are free to speak our minds to the Minister and her colleagues and to anyone else out there—including you—who might be able to help us in our work. Indeed, the Minister has encouraged us to act as a catalyst for change.

Most of you are here today because you already know the women's health issues that the Council wants to address—or you want to know. My remarks are limited to 25 minutes so I will barely scratch the surface, but here is a very short summary of why women's health is an important priority.

Women represent 52 per cent of our population and use almost 57 per cent of all OHIP services. It makes sense for those services to be efficient and effective. In fact, a research report last year found that after adjusting those expenditures to account for reproduction and greater life expectancy, current health expenditures for women are very similar to the expenditures for men. But analysing that fact a bit further yields a rather startling truth. Because women have a greater lifetime risk of chronic disease and disability, expenditures equivalent to that spent on men means that women's actual use of health resources is inappropriately low, once those additional risks are factored in.

All that money has not measurably improved health status or health outcomes for women. When looking at the data either it isn't enough or it isn't being used well. Alternatively, and this is equally telling, if it has improved health outcomes no one can tell because the data has not been kept on that basis.

This I believe is one of the areas where the Ministry must lead and drive new thinking throughout the system. There is now abundant information about the diseases and risks that women face at different times in their lives. At the end of the 20th century we are still delivering health care largely on a fee-for-service, single-provider model that defies case co-ordination and makes multidisciplinary and multi-site care an extreme rarity. In that model of care, health providers focus on one small part of a woman's health needs—usually hospital-based—and that is not good enough. We recognise this government's commitment to making community-based care part of the health system, but it must be seamless, and it must come quickly.

Women live longer than men do, and older women are the fastest growing segment of the population. Many of us will outlive our doctors, our bosses, our husbands and our political leaders. Apparently our sheer numbers might also mean we outgrow the present capacity of the health-care system to provide health services.

What can we expect 10 or 20 years from now?

If the system is still fragmented—one provider doing one batch of tests to treat one thing and then three months later another provider doing the same batch of tests to treat something else—what have we accomplished? Lots of women sitting in doctors' offices waiting for appointments. What an extraordinary waste of everyone's time and money.

What would be so terrible about educating women on their own clinical history and telling them what it means? Would it be outrageous if some health dollars allowed doctors and patients in isolated areas to video-conference a consultation with experts in teaching hospitals? Where is the real waste if the system is unwilling to pay doctors for modern techniques and modern approaches, but instead only reimburses them for treating disease?

There is reason to believe that a re-ordered health-care system would be more efficient. And although we are not willing to assume that re-organisation for the sake of re-organisation is at all helpful, what the Council finds intriguing is the knowledge that we have an extraordinary pool of talent in Ontario, and the most comprehensive range of services of any province in the country. We have the ideal circumstances to design health-care delivery in new ways, so that a personal health map is available to everyone.

We've heard about care maps—those treatment plans where the health professionals describe what the patient will need and when and by whom. What no one talks about is the health map. Aren't we all working toward a patient-centred system where the patient comes first? How did the patient get excluded from the map?

Let's be specific. If you are a sixteen-year-old female and you start smoking, can't we draw a map that shows the effect it will have on you for as long as you smoke and for a certain number of years afterward? If you abuse alcohol or drugs on top of that, your body and your mind and your emotional health will start to suffer and here are the symptoms you will notice. If you are stressed, exhausted, not eating well, not exercising, then you should watch for these symptoms and understand that you need help. If you are combining several unhealthy lifestyle habits, this is where your health will fall apart, and this is when.

Is a health map so unrealistic? Can we create an information tool for people to understand in very personal terms just what their lifestyle decisions are going to cost them? Does it make sense to stop lecturing people, which obviously has almost no impact, and start showing them what they will look like and feel like when they are 50 or 60 or 70? Surely we have the tools to address the accumulation of health risks that women encounter—because that is the real danger—and demonstrate the power of taking control over your life that is truly empowering women.

Let's also keep in mind that women are the primary caregivers for their families, and the burden of caregiving often creates new health problems for women. You may have noticed a report card by the Heart and Stroke Foundation last month. Two-thirds of women are making unhealthy lifestyle choices—and doing so because their families and their jobs take priority. Women assume responsibility for children, the elderly, the sick and the disabled until the woman who is the caregiver gets sick.

I want to take a minute and acknowledge what a difference some institutions are trying to make—like the Heart and Stroke Foundation, which now has a woman's programme in addition to the general programme. It is extremely important for organisations like that to have a voice and be encouraged to advocate for women's health.

As another example, hospital restructuring in Ontario secured a continuing voice for Women's College Hospital, with the goal of ensuring that its innovative thinking and experience permeates throughout a new and larger institution which has as its goal, leadership for the rest of the health-care system in women's health. Aside from the institutional experience, there are hundreds of smaller advocacy groups in Ontario that need encouragement and opportunity to give voice to their experience. Is there any other way for us to learn? Is there any other way to proceed?

Centres like the Institute for Clinical Evaluative Sciences keep producing reports that women experience inconsistencies in access to health care and the quality of care received. For example, women get more prescriptions and fewer diagnostic tests than men. Variations in the rate of mastectomies performed in different parts of this province remain completely unexplained.

I don't want to move too quickly over this item. In fact it is exactly that kind of horrifying fact that makes advocates for women's health into very focused, determined people. It tells us that the health-care professionals, whom we entrust with our lives, often fail to meet their own standards of good science and fail in their duties to their women patients because of outdated assumptions of "what women need."

What are the consequences for women whose bumps, lumps, aches and pains are not diagnosed and not treated or, having been diagnosed, wrongly treated? And what are the consequences for the health system when serious problems are neglected? This reality speaks again to the need for different models of health-care delivery that engage health providers in health promotion as well as disease management, and that require providers to communicate. That means communicating with the patient and with the other professionals who know something about this woman's health.

In addition to all these complications, the impact of societal pressures on women often shows up in the health system. Violence, sexual harassment, poverty and inadequate housing turn into anxiety, depression, eating disorders, even smoking among teenage women. There is only so much one can ask of the health system, but there is ample reason for government departments to work together before the health system has to repair the damage.

Some of you may have heard about the "determinants of health" and you know that it means all the different factors that will push your health one way or the other. Obviously some of the determinants are genetic—many diseases or disease risks are inherited. Other determinants are about where you live. In relatively rich countries like Canada, where we have all had some form of health care and health education for most of our lives, our odds of staying healthy are much better than in third-world nations.

There are many other determinants:

- Personal poverty which makes it impossible to maintain a nutritious diet, or dress appropriately for the weather. On a larger scale, this determinant is about the strength of the economy and its ability to provide good jobs, a decent standard of living and universal social and health benefits.
- Inadequate housing affects health because of cold or dirt, infestation or crowding, all of which increase the risk of infectious disease. At the extreme level, it refers to homelessness, which increases the risk of death.
- Crime and violence—a risk for all women. Statistics Canada says that 50 per cent of women in Canada will experience at least one incident of physical or sexual assault after the age of 16. Violence is a significant problem for women whether or not the victim seeks treatment from the health system.
- Supportive friends and family are extremely important to anyone's good health, not only for the chicken soup, but for the emotional attention that gives us a sense of worth and connection. The opposite of that determinant is that isolation creates a health risk and isolation is very common among elderly women.
- Access to information to make decisions. Health professionals are careful to explain the risks and benefits when patients have to choose between two or three treatment options. How can the patient's own values and priorities be inserted into that analysis of risks and benefits so that the deci-

sions are personally valid as well as clinically valid? Recent, but not yet published research shows women suffering from a health emergency are more likely to call their daughters than call 911. It's because they need their personal values to be part of a decision about what to do next. And, perhaps, because they have not been taught to immediately put their own health needs first.

- Another determinant of health is access to professional care, technologies and treatments. I would add that these services need to be available close to home, in a reasonable time frame.

The second mandate for the Women's Health Council is to advocate for improvements in women's health in Ontario.

Advocacy is such an interesting word, don't you think? And this Minister has provided me and 14 other vocal personalities a platform from which to continue our advocacy for women's health. But now we have also been given the opportunity to consult broadly with women around the province and give voice to their concerns.

The Council certainly intends to do that, but we need to know the script, i.e. what will we advocate for? As we develop the "what" we also need to develop the advocacy tool. That means looking at health care through the gender lens and being vigilant about whom this system is supposed to serve.

It also means making sure that women are at the table, involved in discussions about what is needed and how health care is delivered. It means that any assessment of success or failure has to include the voice of women who are depending on health care; it is not just a matter of being efficient, in management terms, or effective in clinical terms. Evaluation in health care has to measure client satisfaction.

You will find the Council advocating for a health system that is designed to be responsive and flexible, for integrated and co-ordinated services that make it easy for women to find their way through the system, and for innovative new services that reflect women's real needs.

You'll find us advocating for government departments to work together on the determinants of health, like sexual assault, housing and poverty. They might not sound like health but they are central to a woman's health status.

One of the things you might want to watch for is how far along in the spectrum of health care this advocacy is needed. Many of the issues we have to address are so ingrained that we can't even deal with the urgent reality. We have to start by stepping back a great distance and insisting on better information and education.

For example, I'm thinking about the strangely differing and often rising surgical rates for caesarean sections and hysterectomies and the over-prescribing that women get for health care not just in Ontario, but throughout North America. Five years from now if we are still calling for health professionals to be better informed and actually use the best knowledge that is available, then we have failed. At the other end of the spectrum is monitoring, evaluation and quality control. Five years from now if we are only asking for those tools to be more sophisticated, then we will have travelled some distance toward our goal.

The third part of the mandate for the Women's Health Council is to promote women's health research, identify gaps and disseminate information on current research activities.

Health-care services for women—and for everyone, really—need to be based on "best practices" which means the most up-to-date clinical knowledge of what works and what doesn't. The introduction of best practices throughout the health system will help to reduce the strange variations in surgical rates and treatment choices that women encounter in Ontario.

The present gap in research-based information regarding appropriate prevention and treatments for women is a serious threat to women's health. We refer to the best practices of medicine, nursing and other health professions as being evidence-based. That means substantive research has delivered specific advice about what works, why and how and when it works, and when some interventions are just wasted. It means that professionals have explored the subject in-depth and come to some conclusions about how to proceed efficiently and effectively—without duplicating lab tests, or taking a hit-and-miss approach to prescription drugs, or performing surgeries that are not useful to the patient.

Evidence-based policies for diagnosis and treatment of diseases affecting women will improve results and reduce costs by eliminating waste and duplication caused by misdiagnosis, over-medication and inappropriate programmes and treatments.

In many cases the answers don't even exist, because the basic research has hardly ever included women. Some diseases, such as osteoporosis and certain types of cancer, affect women more than men. We need research that is unique to women and focused on women, but the first step is to have research that will even include women. We know that heart disease kills more women than all cancers combined—it is the leading cause of premature death, illness, and disability for women in Canada—but it is still under-diagnosed and under-treated in women. Women have been excluded from research into diseases that affect both genders, with the result that treatments are developed for men and assumed to be appropriate for women.

But we must not forget that research has to move from the lab to the doctor's office in order to make any difference. Emerging knowledge has to be shared with health professionals in a way that makes it useful and usable. Women who are patients or caregivers need to know what the choices really are and what those choices will mean before they can decide on treatments.

This is such a critical foundation for planning health services that the Council regards it as an urgent priority.

It is not enough to insist that more research is needed. What the Council needs to do is find and support partnership opportunities with government, educators, business, health organisations and other advocacy groups so that realistic plans can be implemented. We need to test what best practices exist for women today, and move quickly to make them available.

One of the reasons that I am here today is to ask you to think about ways that your own companies and organisations can join in this effort. When was the last time any of you talked with the research community and said: "We think it's good business to support better health by finding better answers. We think it's good policy for our employees or students or customers to stay healthy and to know how to maintain their own health. We're concerned that the women in our organisation are not taking care of their health and are going to get very sick."

Business leaders and teachers have an enviable opportunity to become leaders, partners and advocates for women's health. You can make a difference by working with the Women's Health Council and helping us to disseminate information to women about healthy choices.

The fourth part of the mandate for the Women's Health Council is to communicate the Council's activities as widely as possible.

Within the next few months the Council will begin regional meetings across the province to seek advice from women and people interested in women's health. We want to share information about our own activities and receive information about priorities and issues that need attention in different parts of the province.

Members of the Women's Health Council will be actively pursuing opportunities to address their colleagues in various settings and keep in touch with you about ways to work together. We will direct a great deal of our energies toward the existing health system to find innovative programmes and projects that help women keep and restore their health.

I want you to know that we believe in two-way communication. We welcome your continuing advice and comments on everything we do. We are committed to an open process where you will always be able to find out what we are doing and why. In return, we ask that you respond. Tell us what you think, what is relevant to you, what you notice and want to see addressed.

This is part of the important role of the Council in giving voice to women advocating for their own health. We believe that women know what is missing and what would have made a difference to their health. We believe that women know their families and know when their children are sick and whether or not a physician is able to recognise it.

The final item on our mandate is to provide advice to the Minister on the allocation of an annual budget, this year set at $10 million, for women's health-care projects.

The Council is finalising priorities and requirements for women's health-care projects that would be funded from this $10 million. Obviously we want to use these funds to move forward in a significant way and address the most urgent issues—research, education and specific services that will improve women's health.

But I want to reassure you that this is not the only money that the Ministry is putting into women's health. The Minister does not expect—and the Council could not cope with—any expectation that we would be alone out there, solely responsible for women's health.

In addition to the projects that the Council will recommend for funding, the Ministry has already moved forward with pilot programmes to expand the mandate of sexual assault treatment centres, and has legalised and funded midwifery care in Ontario. Last year the Ministry put $1 million into research for women's health projects well before establishment of the Council. We now have a joint commitment by the Ministries of Health and Community and Social Services to fund the Better Beginnings, Better Futures programme, which assists women with parenting skills and helps children do better at school. Another interministerial programme, Healthy babies, Healthy Children, identifies children at risk and provides home visits. These and many other programmes help women everywhere in Ontario.

Last month the Minister met with Council and confirmed her support for our initial advice.

- She agreed that we need to reach out to the education and health communities to identify opportunities for health professionals to learn more about women's health issues.
- She agreed that we need to hold regional meetings and talk to women from across the province as a way to draw information from a broad spectrum of people who have an interest in women's health.
- She accepted our recommendation to move forward with the development of an Objective Structured Clinical Examination that specifically addresses women's health. That type of examination is used to evaluate the performance of medical students and is a concrete way to influence how medical practitioners can best deal with women's health issues.
- She supported our plan to produce a status report on women's health in Ontario which will serve as a benchmark and constant reminder of the improvements that must be introduced.

- She asked us to review a recent report from the Institute of Clinical Evaluative Sciences on current rates of caesarean section in Ontario and offer our advice.

The Council has only met a few times since December, but we are well on the way to finalising our strategic priorities and workplan. We have the infrastructure in place, the support of the Minister and a stellar group of Council members to lead the way.

I want to ask you to think about where you fit in this endeavour. Most of your employees and colleagues are probably women. If they could stay healthy, and if their health problems were being handled efficiently, would that make your life better or worse? The Women's Health Council has room for partners and co-operative projects with the business community and the broader community. We welcome your interest and advice. Thank you.

The appreciation of the meeting was expressed by Catherine Steele, Vice-President (Toronto) and Partner, Gervais Gagnon Covington & Associates and a Director, The Empire Club of Canada.

George L. Cooke, President, The Empire Club of Canada and President and CEO, The Dominion of Canada General Insurance Company, Lord Marshall of Knightsbridge, Chairman, British Airways plc, BTR Siebe plc and London Development Partnership and Deputy President, Confederation of British Industry and John Smith, Senior Manager, Global Private Banking, Royal Bank of Canada and President, British Canadian Chamber of Trade and Commerce.

(Lord Marshall's speech starts on page 448.)

March 31, 1999

A joint meeting of The Empire Club of Canada and The British Canadian Chamber of Trade and Commerce

Lord Marshall of Knightsbridge

Chairman, British Airways plc, BTR Siebe plc and London Development Partnership and Deputy President, Confederation of British Industry

THE FUTURE OF CANADA/U.K. TRADE AND INVESTMENT IN A GLOBAL ECONOMY

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

David J. McFadden, Q.C., Partner, Smith Lyons, Vice Chair, Toronto Board of Trade and a Director, The Empire Club of Canada; Omar Chalabi, OAC Student, Lawrence Park Collegiate Institute; Reverend Bill Middleton, Armour Heights Presbyterian Church; Eleanor Clitheroe, President and CEO, Ontario Hydro Services Company; Malcolm Freeman, Vice-President and General Manager, Canada, British Airways plc; Daniel Burns, Ontario Deputy Minister of Economic Development, Trade and Tourism; The Hon. Barbara McDougall, President, Canadian Institute of International Affairs, Chair, Morguard Real Estate Investment Trust and former Canadian Minister of External Affairs; Terry Curran, Consul General, British Consulate General, Toronto; John Smith, Senior Manager, Global Private Banking Canada, Royal Bank of Canada and Chairman, British Canadian Chamber of Trade and Commerce; Reay MacKay, Vice Chairman, Royal Bank of Canada; Mike Lagopolous, Senior Vice-President, Global Private Banking, Royal Bank of Canada; Barry Smith, President and CEO, Metro Toronto Convention Centre; and Thomas L. Wells, President, TLW Consulting, former Ontario Agent General in the U.K. and a Director, The Empire Club of Canada.

Introduction by George L. Cooke

We are privileged to have as our guest speaker today, Lord Marshall of Knightsbridge, Chairman, British Airways plc.

British Airways remains one of the world's most successful airlines. The British Airways Group, including Deutsch BA, and Air Liberte, carried a record 38.2 million passengers during 1996–97.

Lord Marshall was appointed Chairman of British Airways plc in February 1993 after 10 years with the airline. He previously held the position of Deputy Chairman and Chief Executive, prior to which he had a distinguished career in international business.

In 1958, after seven years with Orient Steam Navigation Company, Sir Colin joined the Hertz Corporation in Chicago as a management trainee. After a term as General Manager Mexico and Assistant to the President in New York in 1961, he became General Manager U.K., Netherlands and Belgium.

In 1964, he joined Avis Inc. as Regional Manager/Vice-President Europe. After progressively assuming responsibility for all areas of the world excluding the Western Hemisphere he moved in 1971 to New York as Executive Vice-President and became President and Chief Executive Officer, in 1976.

Following the takeover of Avis in 1979, he was appointed Executive Vice-President of Norton Simon Inc., and Co-Chairman of Avis. He returned to the United Kingdom in 1981 as Deputy Chief Executive and a Board Member of Sears Holding plc., joining British Airways in 1983 as Chief Executive. He was appointed Deputy Chairman in July 1989 retaining his responsibilities as Chief Executive.

In November 1995, Sir Colin joined the Board of Inchcape plc. and was appointed Chairman in January 1996. In 1998 he was appointed Chairman of Siebe plc. He is Deputy Chairman of British Telecommunications plc, Chairman of BTR Siebe plc. and a non-executive director of HSBC Holdings plc.

Lord Marshall was made a Knight Bachelor in the Queen's Birthday Honours in June 1987 and made a Life Peer in July 1998.

In addition to all of the above, Lord Colin was also President of the CBI (Confederation of British Industry) from May 1996 to July

1998 and is currently Deputy President. He is Chairman of London Development Partnership; Deputy Chairman of the Financial Reporting Council; Vice Chairman of the World Travel & Tourism Council... and the list continues. But if I do... we won't have time for his remarks.

Lord Marshall, welcome to The Empire Club of Canada.

Lord Marshall of Knightsbridge

It's a good few years since I had the pleasure of meeting with business and community leaders here in Toronto. It was, in fact, seven years ago and the occasion was a Financial Post conference on the subject of open skies in the airline business.

The single market in Europe (and with it air transport deregulation) was still the best part of a year and several ministerial summits away. Canada, as I recall, was talking with the folks across the border about the possibility of a single North American aviation market. Clearly, a great deal has changed since 1992, but some things haven't. Nevertheless, it's good to be back.

I am very grateful to the British Canadian Chamber of Trade and Commerce and the Empire Club for the invitation to speak at this joint gathering. I know the Chamber well, through its affiliation to the British American Business Council with which I have a long-standing association.

The Empire Club I know more by its immense reputation than direct involvement. I am, therefore, especially pleased at the honour of becoming the Club's 2,505th guest speaker.

The developments which have taken place between my last visit and today pale into insignificance when one considers the momentous issues and seminal events addressed by the Empire Club over its long and distinguished history.

No doubt one of the early items on the agenda, after the Club was established in 1903 was the new phenomenon of powered flight, achieved for the very first time in December of that year. It is a curious and very pleasing coincidence that the development of the aviation industry goes hand in hand with that of the Empire Club.

A few months ago, at the annual Wilbur and Orville Wright Lecture of the Royal Aeronautical Society, a few of us were discussing the scepticism with which the invention of flight was met on the streets of Edwardian London. “If God had meant men to fly, He would have given them wings,” was the popular, scornful refrain.

Nine decades on, people not only travel by air on a truly massive scale, as a matter of course, but they are also less concerned with the mind-boggling technology than with such matters as the content of the in-flight meal tray, the number of channels on the entertainment system and how many frequent flyer points they can earn.

Today, a twist on the old, sceptical comment might go along the lines of: “If God had meant people to fly, He would have given us up-grades.”

I guess that kind of attitude shift is true of any industry. Encouraging consumers to be entirely familiar with our goods and services and to raise their value expectations is, after all, the essence of business.

‘What future is there for Canada/U.K. trade and investment in a global economy?’ is, as you know, the theme I have been asked to address from a range of industry perspectives; and also in my role as one of Britain’s Business Ambassadors. I have to say that ‘British Business Ambassador’ is a rather grand title for a group of unpaid, but supposedly high-powered, travelling salesmen, press-ganged by the government to plug Britain around the world at every opportunity. You can begin to see what Tony Blair is getting at when he talks about the ‘new enterprise economy.’

To be serious, this role is extremely rewarding and one that I am very happy to fulfil because the promotion of Britain and the fostering of excellent international trade relations, especially with countries of very close affiliation, like Canada, have a direct effect on the businesses I represent.

It goes without saying that the traditional links between Canada and the U.K. remain extremely strong.

The difference nowadays is that our trading relationship is no longer simply bilateral, but geared to the global market. The Joint Declaration agreed by Jean Chretien and Tony Blair 20 months ago specifically calls for encouragement of the two-way flow of trade and investment, with a direct focus on providing access, respectively to NAFTA and the Single European Market for our companies, particularly those in the growing small- and medium-sized enterprise category.

Both our countries are committed to building knowledge-based economies. Indeed, Canada's progress in meeting this objective is the envy of much of the rest of the world. When Industry Minister, John Manley, addressed the Empire Club last month, he spoke about the Connecting Canadians programme (taking pains, I understand, to point out that this was not a government-organised dating service).

The scheme to transform Canada through accessible information technology, with the aim of making this country the lead nation in the knowledge-based economy of the next century is truly impressive. It comes against a background of steady economic development, as evidenced by the February budget; and policies to increase the level of enterprise, productivity and long-term industrial investment.

This all sounds very familiar to me, because it is almost exactly the way things are going in Britain.

By example and association, Canada is very important to the future economic and social development of my country which is why just a few weeks ago, the Department of Trade and Industry and the Foreign and Commonwealth Office agreed to plans for a new campaign to develop even stronger links between us, especially in the knowledge-driven industries, such as aerospace, biotech health care, software and pharmaceuticals. The Chretien/Blair Joint Declaration actually specified the encouragement of partnership in the science and technology fields, through links between Canadian and British companies and between our academic institutions.

A recent government briefing told the business community: "Neglecting business opportunities in Canada, by failing to recognise its strategic role in tackling the wider NAFTA region, could prove costly for U.K. companies." We have been warned.

Clearly, the same could be said, in geographic reverse about Britain. While we are—and will no doubt remain—avid consumers of Seagrams' liquor and McCain's foods, Britain's overriding importance to Canadian business is now as a gateway to the Single European Market.

While we have been far from immune from the effects of recent global economic slow down, the British economy remains sound and stable-based, as it is, on a low level of inflation, workable costs of borrowing and a largely flexible work force. The strength of sterling is our major concern and I will come to the currency exchange issue in a moment.

To Canadians, our recently re-defined trade policy will have a familiar ring about it. It is enshrined in the new competitiveness White Paper entitled unsurprisingly, 'Building the Knowledge-Driven Economy.'

What it essentially says is that Britain can no longer compete on traditional terms at the global level. Instead, we must play to our strengths by adding the extra dimension of high-value and lasting integrity to our national catalogue of goods and services; and also by going for industrial innovation based on our scientific and intellectual capabilities, harnessed to the power of advanced information technology.

Fundamental to this shift of emphasis is a new commitment to investment and that, in turn, means moving away from the old 'boom-bust' strategies based on short-term financial gain, to ones driven by the need for sustainable growth and development over the long term.

Just as in Canada, our new trade policies go hand-in-hand with the social agenda, most notably in the emphasis on education, health care, social inclusion and the regeneration of deprived neighbourhoods. Perhaps the important hallmark of all these policies is that they are planned and implemented in partnership with the business community in recognition of the essential economic truth that only companies, not governments, can provide jobs and create wealth. We do not agree with the politicians on everything, as you would expect, but these days, by and large, British business has a healthy, progressive relationship with government.

Mind you, I look with envy at the continuity Canadian business enjoys with the long-serving John Manley. We've had three different Trade Secretaries in the space of the last six months, but that's another story.

As a direct result of our enterprise economy and our membership in the European Union one of the outstanding features of Britain's economic development in recent years has been the boom in inward investment.

Around 34 per cent of all overseas investment in Europe now comes to Britain. As far as Canada is concerned, the figure rises to 50 per cent. Last year, the 250 Canadian firms operating in Britain represented a total investment value of just about $10 billion. In London, where I have special interests, new investments are coming in at an average rate of four a month and this is confidently expected to double over the next few years. Just last week, London First Centre, our inward investment agency, celebrated achieving the 250th investment since it came into being less than five years ago.

In the U.K., our shift of economic focus and structure is coupled with the momentous development of the European common currency.

As you know, Britain has remained outside the first phase of economic and monetary union—EMU—for sound economic, not political reasons. We are simply out of synchronisation with the 11 other EU member states whose economies have converged to make the euro possible.

For many reasons, we have been saddled with the perception among some of our overseas trade and investment partners that Britain is unfocused on Europe. We can't make up our minds whether we are in or out, for or against.

It was therefore a red letter day for business when, last month, Tony Blair, announced what the government calls the National Changeover Plan as a firm commitment that Britain is getting to grips with the European single currency. Encouragingly, the Prime Minister confirmed that public-sector bodies would be moving ahead with investment to prepare for the euro.

You may have detected that critics of Europe, the so-called 'Eurosceptics' were putting it about that the Blair government is determined to force Britain into the single currency, come what may. That is not so. The government has simply reaffirmed, in the strongest way possible, its opinion that Britain's long-term interests rest on full participation in the Single European Market and that this can be most effectively achieved through economic union.

The vast majority of business people agree. But whether we go in or not depends on our ability to meet five, stringent economic tests laid down by the Chancellor; and the result of a national referendum.

British business has long recognised the competitive reality that Europe, as a whole, not just the U.K., is our home market. This is now reinforced with the political will for Britain to play a full, productive and influential part in Europe.

The crucial importance of Europe to Britain and our global trade and investment network led me, earlier this month, to accept an invitation to lead a new campaign designed to educate British people on Europe and encourage them to support membership of the single currency. Known as Britain in Europe, the organisation is business-led and will operate outside the confines of party politics. The benefits of economic union in a market which now accounts for around 60 per cent of all British trade are obvious. The dangers of a free-wheeling pound, out of step with a new reserve currency in our home market, are equally clear. My motivation stems from the conviction that we must have a fully completed single market in Europe, based on the established British values of less government, fair trade and free enterprise, with all the economic reform this implies for our mainland partners.

I mentioned an interest in London and would like briefly to touch on it. Next year, the 32 boroughs and one corporation (the City) which comprise London will be amalgamated under one government, formed by an elected Mayor and Assembly. The city's economy will be planned by a London Development Agency. In order to develop a pan-London economic strategy ready for the Mayor we have created the London Development Partnership as a prototype economic agency and I am privileged to act as its Chairman.

The point of telling you this is that our work in planning for the economic regeneration of London is prompted by the need for truly global competitiveness and I want to assure every one of our trade and investment partners in Canada that their needs and interests in London are very much at the top of our minds. Our objective is to maintain and strengthen London's position as a hub of global commerce and certainly as the most important financial services centre in Europe.

Our thinking in London is in line with new governance strategies for Scotland, Wales and the regions of England as they become devolved from central government. It also stacks up with the U.K.'s overall dedication to a more integrated world economy as the foundation for global prosperity.

So, the future of the Canadian-British trade relationship is being built on a shared commitment to innovation, invention and long-term economic sustainability through knowledge-driven strategies. We are both evolving as catalysts for the single global market which will inevitably emerge and it is important that our role-model policies and the business relationship that brings them into play are strengthened and sustained. It should go without saying that the British Canadian Chamber of Trade and Commerce has a defining role to play.

Back in 1992, I can recall telling that Financial Post conference that the future of air transportation would be marked by the development of global airline alliances. In the end, I predicted, there might be no more than a handful of powerful worldwide systems competing against each other. Some people clearly thought I was taking leave of my senses.

Now, as I remain sane, we are seeing these alliances taking shape. Our own one-world partnership, featuring Canadian Airlines, along with American, Cathay Pacific, Iberia and Qantas, is up, running and in global contention.

The airline industry has been hit by the effects of downturn in major markets and the main carriers here both bear financial scars.

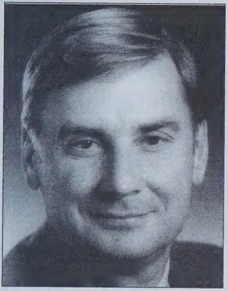
Hopefully, the strength of our one-world consortium which provides a global network covering 630 destinations in 138 countries and a critical customer mass of 174 million people can help the resurgence of Canadian.

As for British Airways, our investment in Canada remains as strong as ever. As from this week, the service steps up to 11 flights weekly between Toronto and London; and to daily 747 flights for Montreal. Vancouver maintains its daily 747 operation; and the cross-marketing, codeshare link with all Canadian trans-Atlantic services naturally continues.

Finally, anybody wanting to see the new era of competitive intent at work in British business need only to call in at Shakespeare's Globe Theatre in London this summer. There, the Cranfield School of Management will be running a series of courses designed to develop the potential of British managers.

Apparently, the idea is for business people to study and act out themes from Shakespeare plays. One of the courses, for example, is entitled "Stepping into Leadership with Henry V." Can't you just imagine what executives inspired by the bloody battle of Agincourt might do for British competitiveness in the Single Market? No doubt there is another course on something like "Trust and delegation for subordinates with Julius Caesar." Or "Reputation Management with Othello." Although in these days of keeping a tight rein on overheads, a course on "Controlling the headcount with Henry V111," might be the most popular.

The appreciation of the meeting was expressed by John Smith, Senior Manager, Global Private Banking Canada, Royal Bank of Canada and Chairman, British Canadian Chamber of Trade and Commerce.



April 8, 1999

Gordon F. Cheesbrough

President and CEO, Altamira Management Ltd.

CHANGE MANAGEMENT VERSUS MANAGING CHANGE: THE ALTAMIRA STORY

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Anne Libby, Owner, Libby's of Ontario Art Gallery and a Director, The Empire Club of Canada; Reverend Christopher King, Rector, Little Trinity Anglican Church; Anthony Wm. Harvey, Student, Editor-in-Chief of school newspaper, The City Adult Learning Centre; David A. Edmison, Director, Martin Lucas & Seagram, Independent Investment Counsel and a Past President, The Empire Club of Canada; Dale Blue, Managing Director, Chase Manhattan Bank of Canada; David Banks, Executive Chairman, Newcourt; Professor Roger Martin, Dean, Rotman School of Management, University of Toronto; Tony van Straubenzee, Partner, Russell Reynolds Associates and a Past President, The Empire Club of Canada; Edmund Eberts, President, RAPPORT Capital Formation Strategists; and C. Alexander Squires, Managing Partner, Brant Securities Ltd. and a Director, The Empire Club of Canada.

Introduction by George L. Cooke

I have the great pleasure of introducing as our guest speaker today, Gordon Cheesbrough, President and CEO of Altamira Management Limited. I can assure you he is a lot more than just another good-looking figure on TV commercials!

Altamira manages close to $5 billion in mutual fund assets and ranks as one of Canada's largest independent providers of mutual funds. The company manages money for mutual funds, pension funds, corporations and other major institutions.

Mr. Cheesbrough has more than 20 years of experience in the Canadian and international capital markets industry. In 1995, he assumed the position of Chairman and CEO of Scotia Capital Markets and ScotiaMcLeod Inc. He was also a member of the Executive Committee of ScotiaMcLeod Inc. and Chair of the Executive Committee of Scotia Capital Markets. Mr. Cheesbrough is credited for ScotiaMcLeod's industry-leading position in bond trading.

He joined McLeod Young Weir in 1974 and within six years became the company's youngest board member. Throughout his career, he has held a series of management positions including institutional bond sales, domestic and international bond sales and trading, as well as government and corporate finance and private client financial services.

An active member of the community, Mr. Cheesbrough sits on the Board of Governors of Upper Canada College and the Board of Trustees of the Community Foundation of Greater Toronto. He is also a Director of the Canadian Council of Christians and Jews and Governor of the Olympic Trust of Canada.

Gordon Cheesbrough earned a Bachelor of Arts in philosophy at the University of Toronto. He is married and has three children.

Today Gordon will talk to us about "Change Management versus Managing Change: The Altamira Story."

Mr. Cheesbrough, welcome to The Empire Club of Canada.

Gordon Cheesbrough

Thank you. I'm delighted to be here. I have somewhat of a reputation for getting right down to business so I will do my best to live up to it today.

My speech is about managing change which is a natural topic for me to address these days. In fact, my wife Julie suggested we call the speech "Gord's Mid-Life Crisis." But I said that that would be too narrow a theme for the Empire Club, that we needed to broaden it to include Altamira, the financial services industry at large and human resource theory.

So now she's calling it "Gord's Very Big Mid-Life Crisis."

It's been a busy year for me, to say the least. Let me start by telling you about my decision to make the move to Altamira.

I was 45 years old and had worked more than half my life for one company. When I joined McLeod Young Weir in 1974, the company and the investment industry were still a few years away from a major growth spurt. I had the privilege of helping the later-named Scotia McLeod develop into one of the powerhouses in the industry. But once you've tasted the experience of helping a company from the ground up grow larger, the desire to do it again never leaves you. It was time for me to move on to a new challenge.

Why Altamira?

For me, the company represented a real change—a chance to get back to the basics of building a team and managing growth. I saw Altamira as the most interesting and the most flexible platform for growth in the country.

Altamira was already one of the best known and most successful mutual fund companies in Canada. It had pioneered no-load and made it into a popular choice for investors. A noted industry watcher said in 1996 that the company had "taken Bay Street to Main Street."

In the fall of 1997, however, they had just resolved a difficult transition to new ownership and needed to regroup. Difficulties are not uncommon for 30-year-old companies like Altamira that are attempting to pass the torch to a new generation. In fact, there are firms such as TA Associates of Boston, that specialise in helping companies manage this transition successfully and freeing up the original capital in the business. The competing parties at Altamira eventually turned to TA, who then brokered a deal and bought a significant minority position in the company.

With the ownership issue behind them, Altamira was now hungry for change at a time when the entire investment management industry was going through profound transformation.

Mutual fund regulations were being rewritten. New market entrants were using e-business to leap-frog over traditional bricks and mortar branches, set up electronic distribution channels and put pressure on prices. Established players were beefing up their global capabilities through new alliances, mergers and acquisitions. Finally, consumers were demanding a more integrated approach to their entire wealth management needs and were looking for financial relationships that could deliver it.

So the challenge we faced in February 1998 was this:

How can we transform an entrepreneurial company from its original ownership structure into a team-based corporate structure—without diminishing the unique qualities and spirit that drove Altamira's past success?

The first thing we did was to take stock of the company's strengths and weaknesses. Here is what we found.

On the plus side, Altamira had one of the smartest and most dynamic groups of people in the business. The bench strength was simply incredible—not just among the top portfolio managers but down through the ranks of research and support functions as well. They had been through a tough time and morale was low, yet there were amazingly few defections. Altamira's people were fiercely loyal to the company and committed to putting it back on top.

The company had unparalleled name recognition.

It had a strong and loyal franchise.

It had an excellent reputation for direct-to-client services—independently confirmed by ranking agencies like Dalbar.

And it had a history of innovation:

- the first Canadian mutual fund company to go on the Internet;
- the first to offer services in Cantonese;
- the first to introduce plain English prospectuses; and
- the first to offer individualised statements of returns for unitholders.

Altamira was the first mutual fund company to embrace the idea of communicating directly and extensively with its unitholders—an idea that changed the face of the industry.

The new ownership structure was the key that unlocked this great potential. With its in-house bench strength of experience and strategic thinking, Altamira finally had the freedom and flexibility to make the changes that were required to meet evolving client needs and to move into the next stage of growth.

On the minus side, lagging performance in the Altamira Equity Fund was the number-one concern. The very fact that this was affecting the entire company was a symptom of other structural problems.

Two out of three areas of investment, namely international equities and fixed income, were doing very well. But with the Canadian equity fund representing 35 per cent of our mutual fund assets, there was a costly spillover effect.

The organisational structure needed to be revamped—again a common situation in an entrepreneurial company that had grown too fast. The challenge was to do so without losing the entrepreneurial spark that had made the company great.

The best example of the need for reform was the star system of portfolio management. If Altamira hadn't invented it, we certainly had put our name on it. We benefitted enormously from this system for the better part of a decade. But it was not the right direction for the future.

One person cannot carry a company on his or her shoulders. The star system puts the company at risk if the star is incapacitated by illness. It inhibits team building. It hampers succession planning and expansion into new areas that require new skills. And it affects the morale of employees who live in the star's shadow.

Frank Mersch was Altamira's star for several years. But we had begun to build strong teams even before Frank left the company. His departure certainly added a sense of urgency to the project because we needed to restore confidence immediately in the Altamira Equity Fund and turn its performance around.

I'm pleased to say that we've made good progress on this critical front. The Equity Fund's results have beaten those of the TSE 300 for the past one, three and six months.

That's just for starters. During the same time frame, the Altamira Equity Fund outpaced every other Canadian equity fund in excess of a billion dollars in assets.

Now let's take a look at what we did in the first six months to begin turning this company around.

We'll start with Altamira's 14 portfolio managers. Each one of them is highly talented, and each one of them is highly competitive. And what I saw when I arrived was that much of that competitive drive was directed at each other.

It reminded me of the picture on our $50 bill—a circle of Mounties on horseback with their lances pointed inward. Well, ladies and gentlemen, as the new CEO I could easily picture myself at the centre of that circle. So I quickly called the managers together and told them that, from now on, we would be fighting the competition and not each other.

The result? Today, the lances are pointed in the right direction—and Altamira and I are feeling a whole lot better.

We began to communicate openly and often. Never again would our employees find out about important company news for the first time by reading it in the newspapers. If we wanted to build a team, we had to treat people as members of the team.

We chose the principles that we wanted to live by and we wrote them down:

Integrity.
Client focus.
Teamwork.
Performance.
Innovation.

We assigned some of our top equity experts—Ian Ainsworth, Sue Coleman and Shauna Sexsmith—to the Altamira Equity Fund.

For a company that managed risk every day in the markets, there was no formal risk management process. We tapped into the analytical abilities we already possessed in-house, put together a risk management committee and introduced individual and house limits.

We began weekly meetings for portfolio managers to share market information and develop new concepts for client service. In short, we started thinking about maximising our performance and service capabilities as a fund family, not just as individual funds.

We rebuilt the senior management team and clarified reporting relationships. We now have managing directors who report to me and I report to the board.

Straightforward, accountable, consistent. It's the only way to go.

Part of the new management discipline was to get a handle on media relations. This is not an easy thing to do at a company that had been a media darling for many years. But the darling had turned into the many-headed Hydra of ancient mythology.

And every head had a different story to tell.

Reporters loved it; I didn't.

So we entered a period of 'radio silence' for a few months while we focused on customer research, structural changes, performance issues and forward planning. We began once again to make the story rather than to be the story. And when we turned on the microphones again, we did so with a strong and effective media relations policy in place.

We began to rebuild our relationships with clients, who had been patient but now wanted to see some action. What they wanted first and foremost was better performance in the Altamira Equity Fund. We set the wheels in motion in the spring and summer of last year, and by the fall the results were already impressive.

We spent a lot of time visiting clients, talking to them on the telephone, listening to what they wanted. And we made a simple commitment—that we would give them products and services that met their needs, not ours.

Let's fast-forward to September, 1998. We're in our new premises at the Exchange Tower. We begin a phased programme of new product launches, strategic acquisitions and marketing our new direction.

The Precision Index Funds launch was first. We looked at the product and decided there was an opportunity to give consumers a price break. The result was that the biggest player in index funds moved down to our price. It sent out a message that we were back in action, demonstrating leadership and turning heads again.

The move also helped us clarify our own pricing strategy. Simply stated, if a product or service is closer to a commodity, like index funds, we try to keep the price as low as possible. For valued-added products like actively managed funds, we ensure the fees are competitive.

Our acquisition of Mutual Fund Direct, which sells the funds of competing fund companies, was another example of a new confidence and maturity at Altamira. We decided that, since our portfolio managers already compete every day against indices and against other fund managers, then why not come up with a solution that gives our clients more choice and lets us benefit from this healthy competition.

The e-business Fund was classic Altamira.

It shook up the industry by being the first of its kind in Canada. We took our own in-house expertise in technology stocks and partnered it with the most knowledgeable and intuitive source on e-business available, namely Don Tapscott, Paul Woolner and the people at the Intelligent Enterprise Corporation. The result is a competitive advantage that will be very tough to beat.

We recently announced a group of Managed Portfolios for clients who want us to play a greater role in optimising their mix of different Altamira funds.

Finally, there is the ad campaign, or, as some might have it, the campaign that put new meaning behind the old saying: "Don't Give Up Your Day Job."

Now I'd like you to understand something about me. I like to keep a low profile. I like to let performance speak for itself. And I like to walk down the street in the comforting embrace of anonymity. So I can tell you that there was a lot of soul searching around the Cheesbrough kitchen table before we decided to take this step.

Why did we do it? Altamira needed to send out a message of real change, fundamental change, and a professional actor wouldn't get the job done.

So if there's anyone in this audience who might be thinking that it was just an ego trip, that there's a thrill in having your face recognised by millions of people in public—think again. It is not a step to be taken lightly, which is why I absolutely drew the line at the request for the 20/20 Interview with Barbara Walters. Instead, I've decided to take the lampooning I received at the hands of "This Hour Has 22 Minutes" and let it stand as the apex of "Gord Cheesbrough's Fifteen Minutes of Fame."

That takes us to the end of an extremely eventful year. We experienced profound change and renewal as a company, all the while managing through one of the most difficult markets in several years.

What lessons did we learn?

One: Assume that every turnaround will be tougher than you think. You can never do enough due diligence to eliminate surprises.

Two: Listen carefully to what your employees are telling you and what your clients are telling you. And while you're at it, do some quantitative research to back your assumptions.

Three: Find the people quickly who are motivated to make changes, and turn them into your allies and your support network. That's not easy, especially when you've spent your entire previous career in one company, as I had. But it is fundamental to your ability to bring about change.

Four: Act swiftly and never deviate from your own value system. It will guide your judgment and will see you through almost any crisis.

Five: Have patience and a thick skin—especially about what you read in the papers. Some journalists see the glass in your hand as half empty and the rest will compare it to the gallon jug held by your competitor. That's their job. Ours is to make our clients wealthy. If we do it well, the rest will take care of itself.

And six: Communicate with your people regularly and openly. Loyalty is a two-way street that is paved with open, honest and frequent dialogue.

Altamira has come a long way in the past year. Morale is high. Performance has improved and the months of heavy redemptions are well behind us. In an RRSP season that was the toughest in years for all companies, we held our own and scored the third-highest increase in net sales over last year among all the mutual fund companies.

We're a very different company today. We have maintained and grown one of the most admired pools of talent in the industry. And we are building a platform on which we can deliver solid performance across the full spectrum of our investment products.

Altamira is on the road back and we're picking up speed. If I had to pick the four most critical factors that will ensure we reach our long-term goals, they would be:

- Our focus on clients. We have a reputation for superior service and advice, and we will build on it.
- Our focus on performance. In our business, there is simply no substitute for performance.
- Our focus on teamwork. The team at the Stanley Cup is not the one with the biggest superstar, but the one with the deepest bench strength.
- Finally, our focus on attracting top people. We are known for being a great place to work, a place that rewards excellence and initiative, a place that breathes excitement. We aim to stay that way.

If we continue to do these four things well, then I will soon be able to happily announce—happily and forever after—that Gord's Mid-Life Crisis has been transformed into Altamira's Mid-Life Opportunity.

The appreciation of the meeting was expressed by C. Alexander Squires, Managing Partner, Brant Securities Ltd. and a Director, The Empire Club of Canada.

April 15, 1999

Marguerite (Grete) Hale

Chair, Morrison Lamothe Inc.

MOUNTAIN CLIMBING IN THE BUSINESS WORLD

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Rev. Prue Chambers, St. Nicholas Anglican Church, Birchcliffe; Julia Lydall, Senior Student, Appleby College; Ann Curran, Partner, Lewis Companies and Third Vice-President, The Empire Club of Canada; Tony van Straubenzee, Managing Director, Russell Reynolds Associates and a Past President, The Empire Club of Canada; Hal Blackadar, Shaw Radio Ltd.; Abigail Slater, Owner and CFO, Bakeworks; Susanne P. Hudson, Real Estate Sales Representative, Royal LePage, Johnston & Daniel Division and a Past Publisher, Canadian Geographic magazine and Your Money magazine; Albert V. Benoit, M.V.O., Vice-President of Protocol, Crowne Plaza Hotels and Resorts; and Dr. George Trusler, Grand Prior, Order of St. Lazarus of Jerusalem and former Head, Division of Cardiovascular Surgery, Hospital of Sick Children.

Introduction by George L. Cooke

I have the pleasure today of introducing as our guest speaker, Marguerite (Grete) Hale, Chair of Morrison Lamothe Inc.

Morrison Lamothe is a family-owned market leader in the Canadian frozen-food industry. It has developed from the humble beginnings of a bakery started up by brother-in-law partners Richard Lamothe and Cecil Morrison in February 1933, to being named by The Financial Post in 1997 as one of Canada's 50 Best-Managed Private Companies. They have also won three President's Choice awards, including Supplier of the Year for 1998. The company's three operating divisions generate about $45 million annually in sales, and employ an average of 200 Canadians.

Perhaps The Financial Post Magazine, in its issue page—The 1998 Canadian Woman Entrepreneur of the Year Awards—was describing specifically the character and personality of our guest speaker today in its quote: "A salute to hard work, skill, talent, doggedness—and everything else it takes to win at home and abroad."

Ms. Hale's career spans almost her entire lifetime in the family business, starting at the age of 13 when she began to work Saturdays at the bakery. From 1972 to 1978 she was an Executive Vice-President with the company. She became President in 1978 and was appointed Chairman of the Board, her current position, in 1989.

Grete Hale was born in Ottawa on May 10, 1929; she graduated in journalism from Carleton University in 1954 and has had 10 years' catering experience in England, France, Scandinavia, Switzerland and the U.S. She is a trained chef and was responsible for the catering for 40,000 at Canada's 100th birthday party on Parliament Hill, July 1, 1967 and for the 20-foot cake which was cut by her Majesty Queen Elizabeth.

I will not attempt to list all of Ms. Hale's activities and accomplishments, which include numerous directorship and advisory board appointments, and community involvements. I would expect that her success will become evident as she speaks to us on her topic today of "Mountain Climbing in the Business World."

Ms. Hale, welcome to The Empire Club of Canada.

Marguerite Hale

Good afternoon everybody. It's very nice to see so many of my Toronto friends in the audience. Hello to you all.

Some years ago, when I was President of the Canadian Club of Ottawa, I would introduce the monthly guest speakers. I never dreamt there would come a day when I would be the guest speaker at a luncheon club. I feel truly honoured to have been invited to address you today.

Last November, in the ballroom of the Royal York Hotel when I received the Canadian Woman Entrepreneur of the Year Award, I said in my acceptance speech that I had made it to the pinnacle of a mountain—a mountain that I'd been climbing all my life. I could never have reached that pinnacle without the support of family, friends and business associates. My journey has been full of ups and downs, avalanches that almost swept me away, chasms to cross and great vistas of success. Change has been the order of the day at every stage of that mountain. It's how I have survived and it's how my company has survived the difficult times. If I can leave you with one message today it is to learn to love change and to learn how to deal with it effectively so you can climb the mountains in your own lives.

Okay who am I? I'm a very ordinary Canadian of pioneer Irish, Scottish and Yankee stock and one who has been extraordinarily blessed. I had remarkable parents who taught my sisters and myself through example the riches of life from serving others. My parents' moral values were deeply imprinted on me. One of the last things my 89-year-old father said on his deathbed in our home was: "All I ask of my family is that they be contributors." And he was. My beloved husband of 36 years died five years ago. Reg was physically disabled but he never kept me back from doing 'my thing.' So that when he passed on I continued to have this absorbing challenging life with my corporate boards, my 19 volunteer boards and my job as Chair, as President, of our family company Morrison Lamothe Inc.

Most of my mountain climbing was done through the changing fortunes of that company so let me tell you a bit about Morrison Lamothe, our history and whom we are today. My father Cecil Morrison was English-speaking, a Protestant, a Tory and a Mason and his brother-in-law and partner was Richard Lamothe who was French-speaking, a Catholic, a Grit and a member of the Knights of

Columbus. So we had all the markets tied up in the Ottawa Valley. They were a great Canadian combination. They build Morrison Lamothe into the largest independent bakery in Canada with 35 pastry shops and restaurants and for 40 years were the largest social caterers in the nation's capital.

Today we have a completely different focus. We have been in the convenience food market since my father first started baking bread in 1911. Today families need meals that are convenient and high-quality. Morrison Lamothe meets both of these requirements. With three divisions and a corporate office in Ottawa, we have a staff of 250 and sales this past year of over $45 million. The prepared-meals division located in Etobicoke serves the retail grocery market. Its products include Savarin and Holiday Farms brand frozen dinners, meat pies, and entrées. The division also produces private-label products for the Canadian and U.S. market. The fine food division up in Scarborough specialises in the preparation of meat pies, fruit pies, hors d'oeuvres and entrées, both as a co-packer and for private label. We make over 50 of the President's Choice products and all the fruit pies for McDonald's of Canada. Our third operating division is called the Frozen Network, a joint venture of five Ontario family frozen food processors. Its subsidiary, the Coming Home Foods Company, markets a wide range of premium frozen prepared food products to retail grocers in the U.S.

Growing up my father used to tell the family of the many mountains that he had to climb. Sometimes it was the courage to go to the bank manager to ask for a loan to buy a new bread oven and sometimes it was the difficulties he was facing with a competitor. He established the company values that continue today 66 years later within Morrison Lamothe. I can hear him as if it were yesterday saying: "Take care of the folk in the plant and those folk will take of the business." And they did.

I started climbing mountains on my first day at work. I will have to tell you about it. I was 13. I remember it as if it were yesterday—Dad driving me to the plant, leaving me at the front door and saying: "Grete, you may be the boss's daughter but no matter how tough the job may be or how long the hours I expect you to keep up your end." I was put in front of what seemed to be a mountain of those old-fashioned Dad's cookies which are quite rough and I had to pack 29 to a box. In those days there were no coffee breaks and you only had half an hour off for lunch but I finished the job. I remember coming home by bus and I went to my Dad and I guess the roughness of the oatmeal cookies had made the ends of my fingers rough and almost bleeding. I said: "Dad look at my fingers but I kept up my end." And at 13 what a lesson for life. You did the job that needed to be done. It was a lesson that I have never forgotten. Dad always gave us jobs that were bigger than ourselves, ones that we had to grow into. I remember my summer job at 16 was to check in 53 bread drivers when they came in with their day's cash. I was put into a little cage and I had to stay till the last driver was in, no matter how late he was in, and then I had to go the next morning by eight to make up the cash for the Brinks driver arriving by 10. I look back and say: "Did I do that when I was 16?" But you were expected to. The job was explained to you and you did it.

Fifty years ago I learned to speak French. Why? Because I wanted to be able to communicate with the French-speaking waitresses when I went out on catering jobs. In those days, I went out twice on Saturdays because, before Pope Paul John the XXIII, the Catholics were married in the morning and the Protestants in the afternoon so I was able to go out on two weddings a day. I worked my way through university by being a chef at one our restaurants. I used to take the 6:00 a.m. streetcar so I could get to the restaurant by 7:00 to open the restaurant and get a turkey in the oven so it would be ready for the noon-hour trade.

Over the years the company continued to evolve but in 1967 we hit the toughest spot in our entire climb. We were expanding and building one of the largest bakery buildings in North America. All of a sudden through a series of marketing mistakes and some factors beyond our control we were pushed to the edge of a chasm. We were advised to declare bankruptcy. Instead our family chose not to turn back. We chose to keep on climbing that mountain. My older sister Jean Piggot and I came back full-time to the company that year. We knew that if a single supplier had put us on a COD basis, that would have been the end. But none did. All had faith enough to help keep us going. We had to make many tough decisions. For example, we had to sell our new bakery building and it is now the home of Canada's national Museum of Science and Technology. It took 14 years before we paid the last of our debts. I will never forget the afternoon I sat at my desk and signed the dividend cheques going to our shareholders who had kept up faith in us. That was a long road. If I had known it was going to be 14 years I don't know whether I would have stuck it out. But we did. They all got paid.

Faith in God's plan has been an important ingredient throughout my life and has sustained me through many many difficult times. We had begun to diversify into frozen foods but that too was not an easy climb. Our U.S. competitor, who happened to be the largest food producer in the whole world with yearly sales of $24 billion a year, began dumping huge shipments of TV dinners onto the Canadian market. It affected our prepared-meals sales so badly that our market share dropped from 30 per cent to 7 per cent in just two months. Our directors as well as the bank advised us to close down the division. However, we persisted and stayed the course and following an investigation the government brought in anti-dumping duties and we were back in business despite great odds. I remember Scott Young in the Globe and Mail describing it as the David and Goliath battle but we won.

Even though we had been able to stay in the bakery business after '67 the retail bread market continued to change. I will never forget having to stand up in the bakery's cafeteria and tell all our employees that in two month's time we would be selling the bakery division. I had such a lump in my throat that I could hardly get the words out. I told them honestly why we had come to the decision to sell. There was only enough white bread production in Ottawa for one plant and we were two plants. Our competitor was owned by Maple Leaf Mills and they were a fully automated plant so the writing was on the wall. Despite having just informed our employees that most of them would be losing their jobs do you know what they did? They stood up and applauded me when I finished speaking. I was very moved at that. I think they fully understood the reasons for the closure and their support meant a great deal to me and my team.

By now we were fully dedicated to expanding our frozen food line and once again we faced another mountain to climb. I call it the Himalaya of all mountains so to speak—free trade. During the eighties I tried to find a way that a company like mine, Morrison Lamothe, could survive under free trade. We were told that we had only two years to survive and we would be gone. Some so-called experts claimed that our company would be eaten alive in a sea of multi-nationals. Well ladies and gentlemen I'm pleased to report that not only is that not the case but we are currently distributing our products throughout the U.S. to well over 2,000 supermarkets. And we continue to climb.

As you heard earlier, this year Morrison Lamothe was chosen for the second year by the Financial Post and Arthur Anderson Consulting as one of Canada's 50 best-managed companies. I am very proud of that. President's

Choice has 352 suppliers and picked Morrison Lamothe as their number-one supplier. Last year we also won the Product Development Award and the Product of the Year Award for our President's Choice salmon Wellington which I hope you all have tried.

I was deeply moved last autumn when I learnt that I had been chosen as the Canadian Woman Entrepreneur of the Year in the lifetime achievement category. It was a very humbling experience to have one's life recognised by so many people as an achievement. But it has not only been through Morrison Lamothe that I have been able to contribute. There have been many highlights and I would like to list a few of them.

As you heard earlier, on July 1, 1967, I was responsible for all the catering for Canada's 100th birthday party on Parliament Hill. We had this marvellous 20-foot cake with a 10-foot flagpole that the Queen cut. It was memorable. Being chosen as the first woman president of the Bakery Council of Canada—a fascinating assignment for two years. Helping to create the Community Foundation of Ottawa where Tony van Straubenzee has helped us a great deal and serving as its president for five years. Do you know that in our 11-year history we have seen our assets grow from half a million to 15 million in cash in the bank and 24 million in bequests and life insurance which will come in over the years. To date we have given back $5 million in grants to Ottawa. Being asked by The Honourable Pauline McGibbon, a former Lieutenant-Governor of Ontario to be the Registrar General of the Order of St. Lazarus of Jerusalem and thereby opening a wonderful chapter of service for me. It is nice to see some members of the Order here today. And then as a Centennial project restoring with my husband, my great-grandfather's 1858 house in the Gatineau Hills. We had been told by the leading restoration architect in Ottawa that the house was too far gone to save. He said forget it. It's gone. But in spite of his advice and my husband having very little money we did it. It has brought great joy to our family especially to my Dad who was able to sleep in the room he was born in. And today I am living in the oldest house in Ottawa built in 1828 restored 70 years ago by my parents. I live with my youngest sister Gay who is the food editor of the Ottawa Sun. Gay and I are both widows and often use the house for fund-raising garden and dinner parties for a wide variety of charitable organisations in our community. It never stops. Then I took over my husband's command of the 78th Fraser Highlanders Fort Glengarry Outpost when his health began to fail and I became the only woman commanding officer in Canada for this restored Canadian heritage regiment. And I am glad some of the members are here in the audience today.

I have had such fun and fulfillment in my life, serving on dozens of organisations from community colleges to hospital boards, the IODE, and I believe I'm not done yet. I see these organisations as helping others climb their own mountains. I have just returned from an amazing 33-day trip around the world visiting family and friends in celebration of my 70th birthday. Even though I had an unexpected angioplasty procedure just three weeks earlier it didn't prevent me during this trip from climbing steep hills to see 6,000-year-old bushmen paintings or riding an elephant at 6:30 a.m. in Zimbabwe. I think I've learnt over the years to treasure every day and make the most of it.

A reporter once asked my mother: "Mrs. Morrison, what is the secret of your beautiful acre of garden?" And her answer was very simple. She said: "Oh, it is too weed every day." I have tried to apply this answer to my everyday life. To weed out any fear, pessimism, laissez-faire thoughts and attitudes so that I can be free to do what ever task comes along embracing change in whatever form it may take—to climb to the top of my mountain.

I would like to leave you today with three phrases from the Old Testament which I repeat very often to myself. Be joyful always. Pray at all times. Be thankful in all circumstances. And I sure am. And I hope that you will all find ways to climb your own mountains just as I have been blessed to climb mine.

Thank you.

The appreciation of the meeting was expressed by Ann Curran, Partner, Lewis Companies and Third Vice-President, The Empire Club of Canada.

Edward (Ed) Badovinac, K.H., Professor of Telecommunications, George Brown College, a Director, The Empire Club of Canada, Reverend Dr. John Niles, Victoria Park United Church, Margaret Godsoe, Art Gallery of Ontario Volunteer for the past 53 years and William Withrow, Director Emeritus of the Art Gallery of Ontario.

(Matthew Teitelbaum's speech starts on page 480.)

April 22, 1999

Matthew Teitelbaum

Director, Art Gallery of Ontario

WHAT WE LEARN ROM THE PAST

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

Rev. Dr. John Niles, Victoria Park United Church; Matthew Donovan, Sculpture Student, Ontario College of Art and Design; Anne Libby, Owner, Libby's of Toronto Art Gallery and a Director, The Empire Club of Canada; Rose Wolfe, Director, The Empire Club of Canada; Dr. Frederic Jackman, Chairman of the Board of Trustees, Art Gallery of Ontario, President, Invicta Investments Inc. and a Past President, The Empire Club of Canada; Margaret Godsoe, Art Gallery Volunteer for the past 53 years; William Withrow, Director Emeritus, Art Gallery of Ontario; and Joanne Tod, celebrated Toronto Artist.

Introduction by George L. Cooke

It is a pleasure for me to introduce as guest speaker today, Matthew Teitelbaum, Director of the Art Gallery of Ontario. Mr. Teitelbaum was appointed to this position in September 1998, and he is the fifth director in the history of the Art Gallery.

The Art Gallery of Ontario is the eighth-largest art museum in North America. Its collection comprises more than 24,000 works representing 1,000 years of extraordinary European, Canadian, modern, Inuit, and contemporary art.

Mr. Teitlebaum was Chief Curator at the AGO from 1993 to 1998 and served as Acting Director in 1995. As Chief Curator, Matthew Teitelbaum led the Gallery's curatorial, exhibitions, collections and programming departments, and participated on all strategic planning Board committees. In recent years, Mr. Teitelbaum has played a key role in the unprecedented growth of the AGO's permanent collection. In 1995, the AGO committed to building core collections of senior contemporary artists as a means of celebrating the study of contemporary art.

The AGO has had an active and far-ranging exhibition programme during Mr. Teitelbaum's tenure as Chief Curator. He worked closely with his colleagues at the AGO, developing collaborative relationships with the Whitney Museum of American Art for the Keith Haring exhibition, the Warhol Museum for The Warhol Look, the Courtauld Institute in London for The Courtauld Collection at the AGO and the Rijksmuseum in Amsterdam for Art in the Age of van Gogh.

Mr. Teitelbaum also has been a champion of Ontario artists. In 1997 he revitalised the AGO's Artists with their Work Program, designed to sustain vital connections with artists and communities throughout Ontario. He has greatly expanded the AGO's educational programmes, establishing a teen intern programme as well as enhancing teacher developmental programmes.

During his career, Mr. Teitelbaum has taught at several leading institutions, including Harvard University, Lesley College in Cambridge, Massachusetts and the University of Western Ontario. He has served as Curator and Co-Acting Director at The Institute of Contemporary Art in Boston, Curator at the Mendel Art Gallery in Saskatoon, and Curator of Contemporary Art at the London Regional Art Gallery in London, Ontario.

Mr. Teitelbaum, welcome to The Empire Club of Canada.

Matthew Teitelbaum

Today I want to share with you some thoughts I have had about the changing nature of museums. I want to do so, however, not by casting about in the future for new trends but, rather, by its opposite: by thinking about the past and wondering what doors it might open for us at the close of the century. My reflections on the past are framed by my understanding of two seemingly contradictory thoughts: that, while art museums are in the midst of great change, the experience of art in its true and most immediate sense has not changed at all.

We know from varied experience that museums are about new forms of engagement, new strategies of presentation, new representations of the images of art; all of this is true. And yet, over the centuries, the experience of the work of art has the same ineffable, deep and resonant quality it has always had. To encounter a work of art is to encounter a distilled creativity. At its core, we experience the artist's belief: a belief that deep feeling and meaning may be communicated through the creation of objects. At a time when images come upon us in ways unimaginable 10 years ago, a time when technology allows us access to representations of images 24 hours a day, a time when museums might easily find themselves replaced by representations of art so comfortably presented to us on computer screens at home—the material experience of art seems more powerful than ever. Why is this so?

Museum attendance has increased worldwide. At the Art Gallery of Ontario our attendance has increased by just under 20 per cent in the last year alone. Again, why is this so?

Perhaps it is this: in this very age of easy accessibility to the flattened image, to the world, literally, of the non-depth of the computer screen and the newspaper page, we hunger for confrontation with real objects that contain within them the aura of the imaginative life. In the original work of art we have evidence of values I believe are broadly cherished and understood to be markers of living: uncertainty, changes of heart and evident processes of decision making. Great works of art invite us into the creative process of making an image real before our eyes. We know this as we stand in front of the magnificent marble bust of Pope Gregory XVI by Gianlorenzo Bernini, as we look upon the 16th-century German wooden carving of an old man now on view at the Art Gallery of Ontario from the collection of Ken Thomson; when we experience the gouged surface of a painting by Paterson Ewen; or reflect upon the washes in a drawing by Betty Goodwin. We know that a work of art is the sum of a set of hard fought aesthetic decisions. Seeing the object tells us that.

As the Art Gallery of Ontario comes upon its 100th anniversary next year (and who among you can imagine Toronto without the Gallery which so many of you have done so much to build?) as we celebrate all that has been achieved in the 100 years of exhibitions and collecting activity, there is much to reflect upon. Many memories are the sum total of adventure in that once-small museum's walls; many friendships have bound together the experiences of more than 500 board members, 5,000 staff and 10,000 volunteers. It is a museum that has changed so very much in its history. Or is it? And that is the question I want to work around today.

The idea, of course, that museums have not changed in many years is a willfully mistaken one, for they have changed in public and private purpose many-fold since their origins in 15th century Italy. Since the Palace of the Medici's was founded as a private museum to herald wealth and status, museums have become many things for many people, responding to a basic need for order and classification. Perhaps most poignant of all, museums respond to a need to materially reflect the path of achievement that civilisations leave for posterity. At various times museums have been both privately funded and publicly funded. They have been both virtual Kunstkammers which combine every sort of art imaginable and exclusive museums focused and dedicated in their purpose. They have been formed from the idea of community and they have been formed from the will and desire of single, visionary individuals. Some museums have presented artworks as discreet objects on display solely for aesthetic contemplation, while others have presented art only as anthropological objects, signposts for political and social change. Some museums are free; some charge for each visitor. Some welcome school-age children; some discourage their attendance.

Art museums come in all sizes shapes and purposes, but we commonly believe they have been unchanging in our midst because their central function has indeed not changed: the presentation of art objects for some form of pleasure and learning. Art museums, that is collecting institutions, have presented to us the constant idea of the treasure for many years. The idea of treasure being that art objects are preserved to give to their culture an embodiment of values held at a particular time. I want to rest here at this central value of the museum for a moment, because I think it might tell us something about where the Art Gallery of Ontario has come from, and where it is likely to go, as it enters both the next millennium, and a celebration of its second century. But I will rest here in a moment.

Jerry Porras and James Collins in their groundbreaking book, "Built to Last," profile a handful of major corporations that have grown and prospered over many generations, seeking to identify the keys to their success. In a fascinating journey, the authors have distilled success to one essential, shared quality—namely an adherence to the core values and purposes of the organisation. What do they mean? The organisations that have year in and year out had the greatest success have been those that have held to the founding vision—the vision that gave the business its reason for being in the first place. What has come afterwards, the year by year accommodations and anticipations of the market, the re-invention of connection to consumers, the decisions to develop one product over another, to launch in one market rather than another, to use new technologies to reach customers; these are all clever and essential strategies of fulfilling that vision, and in successful companies strategies are always subservient to vision. And, argue Porras and Collins, strategies mean nothing if they are not rooted in the core values and purpose that give organisations their reason for existing.

And now, here, perhaps you can see where I am going. I have long felt that the key to the future of the Art Gallery of Ontario lay in a reinforcement of the essential values of museum life, that is the contemplation of objects. Contemplation and engagement perhaps, together, suggesting that the art object could in fact, in some way help us understand the values of a culture in new ways. As I began last month to work with my colleagues to meet the arduous challenge of constructing a budget that would lay the foundation for the future, we returned for a visit in the mind, to that moment when a leading businessman, Sir Edmund Walker, and a leading artist, George Reid, and their friends amongst artists and collectors of the time, decided that an art museum was what the city of Toronto needed.

What were they thinking, these men of ambition, when they built a community-based institution founded as the art museum of Toronto in 1900? What did they desire for themselves and for their city, when they carved with words the very foundations of the museum? The legal frame they left behind tells little: "The cultivation and advancement of fine and applied arts by means of the establishment and maintenance of a building or buildings devoted to such arts..." The dry prose of the Museum Act reads, but a review of the Walker Papers and the papers of George Reid in the archives of the Art Gallery of Ontario tells us more.

These men of international travel, of curiosity about the world of art in its widest frame, shared three things above all else:

- A belief in the power of the art object;
- The conviction that the experience of art had an essential purpose in the educational process;

- And a desire to link Canada to the rest of the world through the languages of art.

The very idea of creating a museum for Toronto—and calling it an art museum and not an educational museum (as had been founded in 1857)—was a sign of cosmpolitaness in Sir Edmund Walker's eyes: after all, the reasoning went, every great city had an art museum. That the museum would also contain and celebrate the work of Canadian artists was crucial, for it would be a showcase for Canadianness in an expanded context. And yet, provincials they were not: the first exhibition mounted at the museum was an exhibition of contemporary Scottish painting, organised by the leaders of the museum, and imported to Canada for show. Imagine a contemporary exhibition from a foreign land as the inaugural exhibition in a city where people thought devotion to art just a little humorous.

And so, to distill: from the beginning, the art museum of Toronto established a core vision that articulated the power of the experience of art to bring about what we might call a culture self-awareness—a sense of Canadianness. Its purpose was to create these experiences by preserving the work of artists as a collection that had shape and form in some manner. And its strategy at that time, was to present works of art through displays of the permanent collection, and through changing exhibitions, that opened a window onto the world.

Not surprisingly, of course, because you know where I am leading you, I believe that this value, and its related purpose remain, today, just shy of 100 years after its founding, the key to how the Art Gallery of Ontario will grow and prosper in the next years. Let me tell you how.

I believe that we must be, more than we have been in recent years, an advocate for Canadian art. If not us, whom? We must be an institution that commits its resources to telling the many stories of Canadian art, even if these stories sometimes collide and create disquiet. Yes we must celebrate the achievement of artists, but we must do so by documenting and analysing the values of Canadianness that have formed us.

I am pleased that we are the first Canadian art museum to present the art of our First Nations peoples in our galleries, side by side with art of the European tradition. We must do more of this. We must create exhibitions that reveal the complex issues of domesticity and gender in early 20th-century Canada, and we will, with upcoming exhibitions of the unjustly forgotten artists Mary Heister Reid and Helen Galloway McNicoll. We must also take our place as advocates for Canadian art on the international stage, and so we will. An exhibition of watercolours by the wondrous David Milne will be organised by the AGO and sent to the British Museum in London and, we hope, New York's Metropolitan Museum of Art. This year, we are proud to be the organisers of Canada's representation at the prestigious, contemporary, Venice Biennale. Toronto's Tom Dean will exhibit his work in an exhibition which reminds us of the power and enigma of much contemporary art. We must, and we will, continue the adventurous reinstallation of our permanent collections, so that work by Canadian artists may be seen side by side with the work of their international peers.

It is important to understand the achievement of London Ontario's Paterson Ewen next to that of the German Anselm Kiefer, or Toronto's Michael Snow's next to the work of Bruce Nauman from Sante Fe, or to consider the work of Montreal artist Betty Goodwin alongside the attainment of Paris-born Louise Bourgeois. How else will we know that the language of Canadian art, no matter how much informed by the local circumstance of place is, in fact, in dialogue with new ideas from around the world? And, if we don't know this, how will we know truly who we are. We must look in a mirror to see ourselves, true, but a periscope helps too.

We must also be an institution of enlarged international ambition, not simply an institution which hosts significant exhibitions from around the world. We will be that too but an institution which organises projects with sister institutions from abroad. We must join with like-minded institutions to combine resources (which includes our remarkable staff) to present exhibitions which push at the edges of art scholarship. International ambition is not un-Canadian. Ambition well used is a good and glorious attribute. It is the core of good business, for it is nothing less than a desire to make a mark that will last.

In the next number of months we anticipate a string of announcements, unveiling projects with Windsor Castle, the Tate Gallery, the Morgan Library in New York, the Albertina in Vienna, the Hermitage in St. Petersburg. All projects that will build knowledge in collaboration with others. We must, in this context, continue to bring important works to Toronto. We must give our audiences access to works of art filled with resonance and meaning, but we must recognise the great diversity of world cultures in this context. One of the remarkable aspects of this wonderful, multicultural city is that we enjoy real and intense bonds with cultures around the world. The mirror of diversity in our city is a real connectedness to communities elsewhere. We must take advantage of this connectedness through a wider definition of partnership. And we will.

Over the next few years I believe that you will see the Art Gallery of Ontario take its place as one of the great educational institutions of its kind. We can, and we should, be a leader in the presentation of ideas through art. We must be adventurous and experimental in our interest in art history and art appreciation as disciplines of learning. But, I believe we will truly make our mark by exploring art in its true cross-disciplinary functions linking art to other areas of intellectual inquiry. We must create and build educational programmes that start with an appreciation of the art object—the aesthetic understanding of objects is so very special to us—but we must strive to peel back the layers of meaning by asking questions of the art object that link to history, social science and theory.

Many of the educational programmes we have in development are examples of just such inquiry: two recently launched youth internship programmes have provided the model for an ongoing programme for teen interns at the AGO. As the secondary system turns to us for support through the placements for co-op students, an internship programme for teens at the AGO will allow us to provide meaningful activities for young people, both during and outside school hours. Teens will be trained for gallery interpretation, both as "ask me" docents and as volunteers for touring programmes for elementary programmes.

An AGO Education Resource Centre will be created for the use of school teachers with and without their students; students, in class groups or on their own; university and college instructors, professors and students, as well as independent researchers, artists and individual members of the public. The resource centre will provide a classroom for group projects, before and after school tours, further encouraging full-day visits by school groups. It will also be a centre for teacher education and training, offering workshops and seminars on visual arts and culture, art education and methodologies for integrating the arts across the curriculum. Eventually, working with the Ontario College of Teachers, it is our hope that ERC courses will be approved as a source of coursework for teacher accreditation.

In recognition of the special relationship that the AGO has with post-secondary institutions in Ontario, we will develop a formal internship programme. Working with the staff in the New Media Centre, our Education Department has begun to implement a new approach to training for volunteers which will allow us to provide greater resources to teachers and students through posting self-directed learning modules on our website for all temporary exhibitions and selected areas of the permanent collection.

These are some of the programmes that are our strategies to meet new audiences at the end of our century. They will utilise new technologies a great deal for, through the Internet and through the remarkable capacity to present the ideas of art through the computer screen, we can and will bring audiences closer to the experience of the work of art. We will utilise the capacities of technology as a strategy to achieve our goal: a renewed connection to the life of art.

To be an advocate for Canadian art in bold and stimulating ways, to create partnerships that bring important art and new scholarship to Toronto, and to create educational programmes that return us to works of art are our core values, and they have been for generations.

Why must we learn from the past? Not to return to old ways of doing things, not to recreate a nostalgia for the past for its own sake, but because we know the past is about the honour of objects, and their preservation for the future. That we dare to present the work of Francis Bacon instead of Laura Knight, or present the work of Latino youth close to the work of the Group of Seven in ways George Reid would never have imagined are simply strategic choices to link to audiences in our time. These are worthy endeavours. Those of you who have worked hard to build the Art Gallery of Ontario over so many years, will know what I mean. We have a remarkable staff committed to the experiences of our visitors. We have a volunteer community that is the envy of sister museums around the continent. And, as we enter a new time of active volunteer recruitment and placement at the Gallery, it will be ever thus, more and more.

In the public sphere, we know that we have to do more to celebrate the achievements of our Gallery and we will, for while none of us can likely imagine our city without the Gallery, it must be a common value of all who call this city home.

What stands at the centre of the museum experience? Perhaps it is mine when, with my father, I came to my childhood art gallery, the Art Gallery of Ontario and looked, transfixed, at the still life by Chardin, "Jar of Apricots," and looked again and again at the knife which is placed ever so casually at the edge of the table. Oh, what a precarious balance it has, that moment of visual poetry. That moment is a microcosm of museum life. And we must remember that all we do to connect the Gallery to its public comes back to this: We present experiences that sometimes seem un-namable, indefinable, something that we know when we see it, or feel it, something that we hold on to for ourselves when it is given to us, and that is the experience of the work of art. Such experience is a right that the art museum has given to our audiences for many years, and it is an obligation I am aware of every day.

Thank you.

The appreciation of the meeting was expressed by Anne Libby, Owner, Libby's of Toronto Art Gallery and a Director, The Empire Club of Canada.

April 23, 1999

The Hon. Sheila Copps

Minister of Canadian Heritage

CANADA BOOK DAY AND CANADIAN CULTURE

Chairman: **Ann Curran**
Third Vice-President,
The Empire Club of Canada

Head Table Guests

Bart J. Mindszenthy, APR, Partner, Mindszenthy & Roberts Communications Counsel and a Director, The Empire Club of Canada; Laroux Peoples, OAC Student, Harbord Collegiate Institute; The Reverend Dr. Brian Freeland, Associate Priest, St. Thomas's Anglican Church, Toronto; Jane Cooney, President, Books for Business and President, Britnell's; Wilfred Dinnick, Director, MacDougall, MacDougall and MacTier and Chair, Writer's Trust; June Callwood, Writer; Jack Stoddart, Chairman, Stoddart and General Publishing and President, Association of Canadian Publishers; Riki Turofsky, Member of the Board, Canada Council for the Arts, and Member, Dean's Committee, University of Toronto Faculty of Music; Susan Renouf, President and Editor-in-Chief, Key Porter Books and Chair, Canada Book Day Organising Committee and John A. Campion, Partner, Fasken Campbell & Godfrey and a Past President, The Empire Club of Canada.

Sheila Copps

Ladies and gentlemen, fellow proud Canadians: It is a privilege to follow in the steps of the women and men who have spoken to Canada's renowned Empire Club.

First, I have a sales pitch.

Today is Canada Book Day, so I'd like to urge you to buy a book and a rose for someone you love. Getting the rose is the easy part. What's going to be hard is getting the book. There is just such a phenomenal selection. You might have to buy two books... three... four...

Anyone who took a CanLit survey course 20 or 30 years ago can probably still name the books on the reading list. That's the list that starts with "Roughing It in the Bush" by Susanna Moodie.

I'm sure Mrs. Moodie is still there, but she's got a whole lot more company these days than anyone could have imagined. She's joined by our head table guest June Callwood—and by Margaret Atwood, Michael Ondaatje, Carol Shields, Michel Tremblay, Alice Munro, Rohinton Mistry, and on and proudly on. And not, of course, to forget authors published by my friend Jack Stoddart—like John Ralston Saul, David Suzuki, and even my Liberal colleague from Don Valley West, John Godfrey.

That's why the Chretien government has a strong publishing development programme, a strong publishers' loan programme, strong investment guidelines and a thoroughly modern Copyright Act.

And as Canada's book entrepreneurs know, we're mounting a Team Canada effort to reinforce the competitiveness of Canadian publishers.

The government of Prime Minister Chretien makes Canadian culture a national priority because culture forges the heart and soul of our identity—as citizens, as communities, as a nation and as human beings.

Twenty years ago, comedian Dave Broadfoot told the Empire Club: "If you tell a Canadian he's apathetic, he'll answer: 'Who cares?'"

And it's true that most Canadians are quiet patriots. Most Canadians are soft-spoken about our love of country. But generally we save our nationalist impulses for the Olympics, Team Canada Games or Canada Day. That quality, in and of itself, is part of our national identity. It is a sign of our openness to the world; our sense of internationalism.

But the fact is that we are proud of Canada. We are proud of our heritage and culture and we want to pass it on to our children and to the future.

Culture is the soul of a people. It is the definition of the individual. It gives meaning to community and country. It's what we share with the past, with the present, and with the future. It's what we share with each other and with the world. Culture is what is passed down over the centuries, over the millennia.

Jane Rule, the Canadian author who is of American birth, wrote:

> It is important for Canadian readers to encounter their own forests and waterways, their own towns and cities in literature. For people who have had to read mostly about other places, there is a sense of surprise and new reality in seeing their own world described and explained, put on the literary map. Literature is part of what makes a country not only a place to go—but a place to come from.

Make no mistake, Canada is and will remain the most open country to other cultures.

Here's the proof:

- 95 per cent of the films shown in Canada are foreign.
- 70 per cent of the music played on Canadian radio is foreign.

- 60 per cent of the books sold in Canada are foreign.
- 60 per cent of English-language television programming is foreign.
- 50 per cent of magazines sold in Canada are foreign.

The cultural sector contributes over $20 billion or 3 per cent to our GDP. It is a terrific source of good, knowledge-based, new-economy jobs.

Culture affects the quality of life of all Canadians. It's equally important to the soul and the purse.

The government of Prime Minister Chretien believes passionately in Canadian culture. And we've made it a priority. Through the new Canada Television Fund, we doubled the number of Canadian television programmes in one year. Shows that target all Canadians, and shows that target specific groups—especially our kids. Just recently, we announced broad-ranging initiatives for Canada's nascent multimedia industry, including work to increase the number of girls and women using the Internet. We are ensuring, through legislation, that Canadian creators are protected where it counts: in the law.

Thirty years ago, when the Beatles and the Stones and the Who were taking the world by storm, Canada had virtually no domestic recording industry. Our nation introduced rules requiring that 30 per cent of what's played on English-speaking radio in Canada must be Canadian and 65 per cent of the selections on our French radio must be in the French language. There was an uproar over that, but today four Canadian women sell 250 million records worldwide. You know the names: Celine Dion, Alanis Morrissette, Shania Twain and Sarah McLachlan.

In broadcasting, market forces in our country, left to their own devices, would have made the Canadian broadcasting system nothing more than a U.S. subsidiary. We want competition to nurture this creativity and diversity, but let us make sure that there is competition and not domination.

Culture is not to be created and then kept in a cupboard. It is meant to be experienced… to be seen… to be heard… to be danced… to be read. There needs to be some space in Canada and abroad for Canadian stories, for Canadian voices—gorgeous operatic voices like Riki Turofsky and the multitude of all Canada's unique voices. It is a matter of whom we are.

That's precisely why four out of five parties in the House of Commons voted last month for Bill C-55, the magazine bill. Foreign magazines are welcome to come into Canada but not by displacing the Canadian advertising dollars that are the lifeblood of our own industry. What Parliament voted on was not about bound sheets of papers. It was about the capacity of future generations of Canadians to have a chance to tell their stories. We voted on an important expression of our culture and how we define ourselves as Canadians going proudly into the 21st century. This legislation will allow future generations to have a choice. This is about choices, including Canadian choices; a choice of reading articles that reflect our culture and whom we are. Canadians not only have the right to protect our cultural identity, we have the duty to do so. With globalisation, of course, we're into a new game and we need to develop new tactics that will ensure access to Canadian voices and Canadian spaces. Bill C-55 complies with the letter and the spirit of all our international obligations, our Charter of Rights, and, most importantly, our commitment to the future of our own country.

The bottom line is that foreign publishers who already enjoy massive economies of scale will be in a position to dump their magazines in the Canadian market and that is blatantly unfair competition. We don't allow this type of dumping in any other sector. Why should magazines be any different?

Imagine if the roles were reversed between Canada and the United States. What if over 80 per cent of the magazines on American newsstands were Canadian? What if Canada said, "That is not good enough. We want it all." They would scream blue murder from Waikiki to Wall Street to Washington.

And let's be clear. Canada is not alone in facing these challenges. That is why, on the eve of last year's Canada Day, our nation hosted the first international meeting of ministers of culture to discuss cultural diversity. Out of that meeting came the International Network on Cultural Policy, which now includes many more than the 19 countries invited to the June meeting. Canada is Chair of the Network for the first year. From September 1999, Mexico heads the Network and Greece will take its turn in 2000.

What do we hope will come out of this new international commitment to culture?

- A concerted effort to promote cultural diversity;
- Significant policy change to reflect the effects of globalisation on culture;
- Strength in numbers.

What's open for discussion?

- Culture and development;
- Culture and trade;
- Cultural pluralism.

Culture is the very essence of nationhood. It reflects our history, our values, our dreams and our view of the world. And it holds a cherished place in the hearts and lives of every human being and every society.

And cultural diversity really is the heart and soul of Canada. We are a microcosm of the world. We are part of what Canada's own Marshall McLuhan called the "Global Village."

Canadians trace our roots back to more than 100 different ethnic groups. Our members of Parliament come from over 20 cultural backgrounds and linguistic origins.

Canada has the experience and the resources and the will to push this complex but noble agenda of individual—and interconnected—cultural empowerment. Culture must be central to the thinking and actions of all national and international decision makers.

The Empire Club is, in fact, a classic Canadian example of just what our nation hopes to achieve in forum after forum. For 95 years, you have met to hear and debate and reach deeper understanding on the interplay of vital issues which enable our nation to thrive and our world to become a better one. For that, I applaud you—and I ask for your individual and collective partnership as we seek to make Canada's voice—and Canada's voices—heard around the world.

The challenges are enormous. The responsibility to our children and the future is greater.

One of humanity's greatest leaders put it so eloquently. As Mahatma Ghandi said: "I do not want my house to be walled in on all sides and my windows to be stuffed. I want the culture of all the lands to be blown about my house as freely as possible. But I refuse to be blown off my feet by any."

Thank you and don't forget to buy a book and a rose this afternoon.

The appreciation of the meeting was expressed by John A. Campion, Partner, Fasken Campbell & Godfrey and a Past President, The Empire Club of Canada.

April 29, 1999

Preston Manning

MP Calgary Southwest and Leader of the Official Opposition

LEADERSHIP TO LOWER CANADIAN TAXES: UNITING TO FIGHT FOR TAX RELIEF

Chairman: **George L. Cooke**
President, The Empire Club of Canada

Head Table Guests

William D. Laidlaw, Director, Government Relations, Glaxo Wellcome Inc. and Second Vice-President, The Empire Club of Canada; Reverend Kim Beard, Rector, Christ Church, Brampton; Abdullah Hamdard, Student, Danforth Collegiate and Technical Institute; Peter G. White, Executive Vice-President, Argus Corporation; Sandra Manning, Partner, Lifestyle Realty; Robert J. Dechert, Partner, Gowling, Strathy & Henderson and First Vice-President, The Empire Club of Canada; The Hon. Henry N.R. Jackman, Chairman and President, E-L Financial Corporation Ltd. and Honorary Officer, The Empire Club of Canada; Gareth S. Seltzer, Vice-President, Private Wealth Management, Guardian Capital Advisors and Immediate Past President, The Empire Club of Canada; Fredrik D. Eaton, Chairman, The Eaton Foundation and a Director, The Empire Club of Canada; and Ann Curran, Partner, Lewis Companies Inc. and Third Vice-President, The Empire Club of Canada.

Introduction by George L. Cooke

It is my privilege to introduce to you our guest speaker, Mr. Preston Manning, Leader of the Official Opposition, Leader of the Reform Party of Canada, and Member of Parliament for Calgary Southwest.

I first met Mr. Manning several years ago at a dinner where he was the guest of honour. Not only did he deliver a high-quality, lucid speech without text, but he engaged the crowd in a question-and-answer session where he actually answered the questions.

The Reform Party of Canada was formed in 1987 with Preston Manning elected as leader and has evolved from a western-based party into a national political movement. In 1997 Reform ran 227 candidates with 60 MPs elected and they became Canada's Official Opposition.

Through these years, Mr. Manning has advanced the principles of:

- Fiscal responsibility;
- Social responsibility;
- Democratic accountability;
- Equality of citizens and provinces; and
- Re-balanced federal and provincial powers.

In 1998, Preston Manning extended an invitation to like-minded Canadians from other political backgrounds to work together with Reform to create a new cross-partisan political party. Many Canadians responded, and in February of 1999, they gathered in Ottawa at the United Alternative Convention.

Prior to entering politics, Preston Manning's Alberta-based career focused on long-range planning for the energy sector, native and community economic development, and federal/provincial relations research.

Mr. Manning is a graduate of the University of Alberta with a degree in economics.

He was born in Edmonton on June 10, 1942 where he spent his early childhood until his family moved to a rural community east of the city. Throughout his adolescence and teen years, he lived and worked on his family's dairy farm. There must have been something in the milk nurturing his political ambition, as his father, the late Ernest C. Manning, served as premier of Alberta for 25 years.

Preston Manning and his wife Sandra have been married for 30 years. They have five children and reside in Calgary.

Mr. Manning, welcome to The Empire Club of Canada.

Preston Manning

Mr. Chairman, honoured guests, ladies and gentlemen:

Before I begin, I'd like to join with you in expressing our profound sorrow and sympathies to the parents and students of W. R. Myers High School in Taber, Alberta, concerning the tragic shootings that occurred there yesterday.

If Parliament could legislate a ban on such tragedies we would do so tomorrow. But the roots and causes of this random violence demand a deeper and broader response than that.

I am convinced (not just as a politician, but as the father of five children) that detecting and preventing these tragedies require a deeper commitment from all of us to strengthening homes and families, to strengthening counselling and social services for young people, and to paying both personal and public attention to these troubled teenagers before they resort to violent acts.

If it is possible at all for any good to follow from the evil of this tragedy, it will be if it causes all of us to more fully open our eyes and ears and minds and hearts to the emotional needs of the students and young people in our lives over the months ahead.

I'd like to pay a special tribute to Bob Dechert, the new President of the Empire Club. He is an active federal and provincial Progressive Conservative and a tremendous contributor to the United Alternative Convention. Thank you, Bob, for inviting me to speak.

I'd like to also pay a special tribute to Toronto business and community leaders. I would like to pay tribute to your economic, social, and cultural contributions to the city of Toronto.

Finally, I would like to pay tribute to the 14 million Canadian taxpayers who sent more than $150 billion in federal taxes to Ottawa last year. You are the most long-suffering taxpayers in the civilised world.

Which brings me to the subject of my remarks to you today: Leadership to lower Canadian taxes: Uniting to fight for tax relief.

Here is a brief status report on taxes in Canada.

A Compas poll commissioned by the National Post this month shows that 85 per cent of Canadians are suffering from tax rage. You can imagine what it must take to enrage a Canadian! Canadians are outraged because high taxes risk our livelihoods, dreams, well-being, and future. Tax outrage is expressed at the kitchen table, in coffee shops, on talk shows, and in boardrooms; outrage that needs to be converted into action. "We need to do something."

Canadians are now paying the highest personal income taxes in the G-7. A Windsor auto-plant worker had a tax bill for overtime work that was equal to his net pay. Something needs to be done about that.

The federal government not only taxes the well-to-do and over-taxes the middle class, it is in a league by itself when it comes to taxing the poor. It has collected $3.7 billion in income taxes from those earning less than $20,000 a year; $2.3 billion in payroll taxes from workers earning less than $20,000 a year. We need to unite to do something about that.

Canada's corporations on average are the third-highest taxed in the world, next to Japan and Germany. Canadian high-tech companies, the engine of the new economy are the highest-taxed in the high-tech world. We need to unite to do something about that.

The government of Ontario under Mike Harris has done a great job in bringing provincial tax relief to the people of Ontario. I hope Ontario people give Mike Harris a renewed mandate to finish the job. But what is the benefit of sweating blood to get provincial taxes down in Ontario if a tax-and-spend Liberal government in Ottawa simply moves into the tax room vacated by the province?

Ontario taxpayers need to unite to do something to bring fiscal common sense to Ottawa as well as Queen's Park.

In summary, high federal taxes drive companies, capital, jobs, opportunity, and Canadian youth out of the country. Enough is enough. We need to unite to do something.

What are we going to do, and who is going to do it? The answers to these questions require us to take a hard look at the political realities of fighting for tax relief in Canada.

There are three political realities.

The first reality: the federal Liberals and Finance Minister Paul Martin won't deliver real tax relief.

The current Finance Minister has presented six budgets containing 40 tax increases and increasing government tax revenues by $42 billion more per year ($3,000 per taxpayer) than when the Liberals took office in 1993.

Federal Liberals balanced the budget, not through federal spending controls but 77 per cent through revenue increases and most of the rest through off-loading to the provinces. The only department they slashed was Defence.

The government cooks the books by front-end loading expenses to make the surpluses look smaller, thus allowing it to argue there is no room for substantive tax relief. This despite the fact that the Auditor General has twice condemned the process and has refused to sign off on government financial statements.

The government currently has surpluses of $7–15 billion in the general revenue account; $26 billion in the employment insurance account; and still refuses to grant substantive, broad-based reductions in either income tax or payroll taxes.

The current Finance Minister has assisted the Prime Minister in making several hundred excuses as to why taxes can't be lowered, principally because the majority of the Liberal caucus would prefer to spend any government surplus rather than return it to the taxpayers.

First political reality: the Liberals will offer token tax relief, but not the broad-based, sustained, substantial tax relief that Canadians need and want.

The second reality: the Official Opposition cannot deliver tax relief by itself without increased support.

When Reformers arrived in Ottawa in 1993, we had a financial to-do list with four things on it: Control the spending, balance the budget, pay down debt, and reduce taxes.

As the Official Opposition, Reform has presented a tax relief programme which would deliver $26 billion in tax relief over three years ($2,000–3,000 per family}, including a $7-billion reduction in payroll taxes over three years.

But the Official Opposition has only 59 seats and votes in the 301-seat Parliament. Even if the 19 federal Tories join with us, we together have 78 votes.

The third political reality: to pass a budget containing broad-based, substantive tax relief in the federal Parliament requires 150+ members of Parliament committed to such a plan.

What is the principal political obstacle to electing 150+ members of Parliament committed to broad-based tax relief and other essential reforms? It is vote splitting among the opposition parties.

In the last federal election, the Liberals formed a majority government with only 38 per cent of the vote. Sixty-two per cent of Canadians did not want Jean Chretien as Prime Minister, Paul Martin as Finance Minister; did not want a Liberal government; did not want tax-and-spend financial policies. But that's precisely what we got. Why? Principally because the opposition support was split among a number of opposition parties—especially between Reformers and Progressive Conservatives in Ontario. That is what resulted in the election of the 101

Dalmatians in Ontario who do what they're told and support tax-and-spend policies, not broad-based tax relief.

The bottom line? The political imperative that flows from these realities? Bold, innovative, vigorous leadership is required from business and political leaders to unite to resolve this vote-splitting problem and elect 150+ members of Parliament committed to tax relief.

We need leadership to lower taxes and leadership to unite Canadians in new ways to fight for tax relief.

What have concerned political people been doing to unite together to fight for tax relief and other essential reforms?

At the May 1998 Assembly of the Reform Party of Canada, I proposed to our members that we help initiate a United Alternative Convention to bring together people from different political backgrounds who might share such principles as a commitment to fiscal responsibility and tax relief. A Steering Committee was set up to plan the United Alternative Convention in Ottawa for February of 1999.

That Steering Committee has 21 people on it. Six federal Reformers, who were soon joined by others willing to work together to define common ground and a plan of political action to create a responsible alternative to the Liberals, particularly on such issues as tax relief. These included respected and responsible members of the Toronto business and political community known to you all:

- Your new president, Bob Dechert;
- Hal Jackman, prominent businessman, prominent Conservative, former Lieutenant-Governor of your province;
- Tony Clement, Minister of Transportation in the Harris government and one of the original authors of the Common Sense Revolution;

- Peter White, Executive Vice-President, Argus Corporation and the former Chairman of PC Canada Fund.

They, together with federal Reformers, were also able to use their influence to attract other prominent Canadians willing to add their voices to this effort to unite to fight for lower taxes and other common objectives—people like Premier Klein of Alberta; Alberta provincial Treasurer Stockwell Day; Clayton Manness, former Finance Minister of Manitoba; Michael Fortier, Montreal lawyer and candidate for the federal PC leadership; independent Member of Parliament John Nunziata; and many others.

The United Alternative Convention was held on February 19–21. It spent 50 per cent of its time defining common ground among members of different federal and provincial parties upon which it might be possible to unite to stop the vote splitting at the federal level and to get a single candidate in 301 federal ridings committed to the same set of principles.

They found themselves in agreement on such goals/principles as social responsibility, democratic reforms, reform of the federation. But the principles on which there was the broadest agreement were those of fiscal responsibility; in particular, the mandating of balanced budgets, priority pay-down of the national debt, and the lowering of personal and business taxes.

These positions are supported today by far more than business people and fiscal Conservatives. There is also potential for broad-based support for tax relief from a large portion of over-taxed rank-and-file union members, and from social and anti-poverty groups who recognise that excessive federal taxation of the poor is one of the principal causes of poverty in Canada.

The United Alternative Convention then spent the other 50 per cent of its time considering four political action plans for stopping the vote splitting and uniting under one federal banner those people who believe in common principles like federal tax reduction.

When a vote was taken, a majority of those at the United Alternative Convention favoured the creation of a bigger and broader federal political entity to which the supporters of the respective groups represented at the Convention could bring their common principles and traditions as well as their capacities to organise and fund election campaigns.

There was also strong second-place support for a proposal by Mr. Jackman to encourage joint consultations and nominating meetings between federal Progressive Conservative and Reform associations, particularly in Ontario, to nominate a single candidate in each riding.

The conclusions of the United Alternative Convention are all summarised in a report which I have been distributing to Reformers and others. It includes my Personal Recommendation to Reformers that we vote yes in a party-wide referendum on the question, "Do you want the Reform Party of Canada to continue with the United Alternative process?"

We are currently in the midst of a nation-wide, party-wide consultation on this question. Similar discussions are going on in federal and provincial conservative circles, and although Joe Clark has been un-receptive to date, the door has been kept open for his involvement and the UA effort will proceed with or without him.

Why are political leaders like myself involved in this United Alternative effort?

I can't speak for the others, but I can speak for myself.

I am involved because I believe it is the right thing to do.

I am involved because I didn't get into federal politics 12 years ago simply to criticise or just talk about tax relief and fiscal responsibility at the federal level. I got involved to actually achieve results. And if that involves taking some risks and doing some new things, then that's what I'm prepared to do.

I am involved because I believe that if Opposition politicians want Canadians themselves to unite in new ways to reduce taxes, to strengthen health care, to democratise the federal institutions, or to re-balance the powers between the federal and provincial governments, then we are going to have to lead by example. That means endeavouring to unite ourselves in new ways across old boundaries to provide a principled alternative to the Liberals.

Most of all, I am involved because of what I see high taxes doing to people I care about.

Sandra and I have five children. I remember when my oldest son got his first pay cheque. Getting your first pay cheque from your first full-time job ought to be a day for celebration of achievement. But for him, as for thousands and thousands of other young people like him, what struck him most forcibly was how much the government took from that cheque.

I have a 24-year-old daughter who is a financial analyst for a big American financial house and who's worked in New York, Seoul, Moscow, and London. She is one of the thousands of bright young men and women who love Canada, who received a good education here, but who saw her opportunities in Canada limited by her own government; who saw what her tax and financial position would be if she stayed in Canada versus the U.S. and when the head-hunter called went to greener pastures.

I get phone calls and e-mails from her from time to time with postscripts, "Let me know, Dad, when Canada gets its act together," and one of her measures of whether a country has its act together is competitive, responsible levels of taxation.

I now come to the most important question: What can Toronto business and community leaders do to help lower federal taxes?

1. Send the federal Liberals a message on taxes in the only language they'll understand.

The business community, particularly Bay Street, votes with the cheque book. So why are so many companies contributing as much as $25,000, $50,000, $75,000 a year to high-tax federal parties like the Liberals?

When Toronto business leaders present briefs to the federal government and the Finance Minister deploring excessive taxation, but still give the Liberal Party of Canada millions of dollars to finance candidates and members of Parliament who have never voted for a genuine, broad-based tax reduction programme in their lives, you know what happens in the Liberal back rooms? There is laughter, not respect, and no action on tax relief.

Political contributors who are really serious about winning the battle for tax relief will follow the advice of Wayne Gretzky: "Skate to where the puck is going to be, not where it's been."

By failing to act on tax relief, the Liberal caucus has lost that puck; it's going somewhere else and that's where you should be.

2. Send the federal Tory leadership a message.

Tell those who refuse to acknowledge that vote splitting only elects Liberals to wake up and smell the coffee, and that there will be no more cheques to the PC Canada Fund until there is a more open and positive response to the proposals put forward by the UA Convention.

You can send the federal Conservative hierarchy a message: It's time to work together with others for the sake of the country; so why not send that message?

3. Support the Reform Party and the Official Opposition in our efforts to be the voice of tax relief in Parliament and to work together with others to elect the 150+ members of Parliament required to make tax reform and tax relief a reality.

In the last federal election, Reform ran an $8-million national campaign which elected 60 MPs, compared to the federal Tories' $22-million campaign which elected 20 MPs. In other words, a dollar invested in the Reform campaign yielded an 825-per-cent-higher return than a dollar invested in the federal Conservative campaign.

Reform is the one federal party that has put its own money, manpower, and energy where its mouth is on this matter of seeking to stop the vote splitting that elects Liberals by default.

To sustain our involvement in the United Alternative process, as well as carry out our responsibilities to our constituents and fulfil our role as Official Opposition, we need your moral, intellectual, political, and financial support.

4. Become involved personally in the United Alternative process.

Examine for yourselves the principled ground defined by the United Alternative Convention and make a decision: Can I or can I not support these principles?

Examine our political action plan for creating a newer and bigger political entity to bring tax relief and other needed reforms to the Canada of the 21st century. And ask yourself: Should I stand on the sidelines? Or should I participate in this process?

Participation means doing something. Write a letter to a Reform association or MP encouraging them to continue their involvement in the UA process and offering your support.

Identify federal and provincial Conservatives with whom you have influence. Telephone or write to them encouraging their involvement in the UA process and offering your help.

Tie your interest and support for the United Alternative to the issues Canadians care about: "We need to unite together in new ways to get taxes down." This is bigger than politics and parties.

People who choose not to involve themselves in the politics of their country are destined to be governed by those who do.

Be one of those who actively participate in the governance of your country. Make your own headlines: "Toronto business and community leaders unite to fight for tax relief."

As we enter the new millennium, I am calling upon Canadians—particularly leaders in business and politics—to emulate the example of the Fathers of Confederation who created both a new politics and a new country.

There's a picture in the Railway Committee Room in the Parliament building of the 36 delegates to the Charlottetown and Quebec Conferences in 1864— people from six different colonies, 12 different political groups; people who were willing to take risks, embrace new ideas, and put aside intense personal and political differences, in order to create a new politics and a new federation.

I see many of those qualities in the business and labour and community leaders of today. They need to be harnessed to a bold new political objective: We need to take those qualities of courage and initiative, and unite together to lead Canadians into a new era of tax relief and responsible government for the benefit of generations to follow.

Some day, someone will take a picture of the group that helped to put together the federal alternative to the Liberals—the one that delivered genuine, broad-based tax relief to millions of Canadians and reformed the federation for the 21st century. My question for you is: "Who from Toronto's business and community leadership will be in that picture? Will it be you?"

The appreciation of the meeting was expressed by Robert J. Dechert, Partner, Gowling, Strathy & Henderson and First Vice-President, The Empire Club of Canada.

Bluma Appel, C.M., O.Ont., Entrepreneur and Jane Cooney, President, Books for Business and President, Britnell's.

The Honourable Sheila Copps, Minister of Canadian Heritage, Jack Stoddart, Chairman, Stoddart and General Publishing and President, Association of Canadian Publishers and Riki Turofsky, Member of the Board, Canada Council for the Arts and Member, Dean's Committee, University of Toronto Faculty of Music.

Annual General Meeting

President's Report

April 29, 1999

Chairman
George L. Cooke, President

George Cooke

Honoured guests, distinguished Past Presidents, members and friends of The Empire Club of Canada. Notice has been given that our annual meeting is to be held on this date and I have asked Ed Badovinac, a Director of the Club to act as Secretary. Willis Blair, our Secretary, is not able to attend today.

In accordance with Article VI, Sub-section 2, the Empire Club's Constitution, I am pleased to report on the year's activities.

Membership

Total membership for the year 1998–1999 is 1,015. Categories of membership are as follows:

	1998–1999	1997–1998
Honorary Life Members	5	5
Life Members	122	126
Spousal	130	136
Regular	531	756
Student	22	22
Senior	205	217
Total	1,015	1,262

Attendance

A total of 44 meetings for the year 1998–1999 attracted 8,647 attendees representing a statistical average of 197 attendees per meeting compared to 36 meetings in 1997–1998 with 6,817 attendees representing a statistical average of 215 attendees per meeting.

Finance

Membership fees for regular membership, $50.00; spousal, $60.00; senior, $37.50; student, $30.00; or senior spousal, $50.00 and varying amounts depending on age for life membership. Luncheon prices for members approximate the hotel charge for luncheons. An additional charge of $5 is levied on non-member luncheons. The financial statements for the year ending April 30, 1999 will be presented to the Board of Directors. The audited financial statements will be published in the 1998–1999 yearbook.

Foundation

With respect to The Empire Club Foundation, I extend appreciation to Douglas L. Derry, Chairman of The Foundation, for his tireless work producing the yearbook, which is a unique reflection of Canadian history, published each year since 1903. It plays a functional and important part of The Empire Club's tradition and continues to evolve as an important resource to Canadians across the country.

Appreciation

Lastly, I recognize the diligence and hard work of the past presidents, directors, officers, members and volunteers. This is, after all, a volunteer organization. On the occasion of the 96th anniversary of The Empire

Club of Canada, I thank all of you for giving me the privilege of serving you as president.

Respectfully submitted,

George L. Cooke
President

George L. Cooke moved adoption of his report, seconded by Bill Laidlaw.

Report of the Nominating Committee

April 29, 1999

Gareth Seltzer

Mr. President, fellow directors, distinguished guests, members of The Empire Club of Canada. It is my pleasure, as Chairman of the Nominating Committee, to report on the work of the Committee which was constituted in accordance with Article III of the Club's Constitution.

Nominating Committee

The following persons served on the Committee:

Gareth Seltzer—Chairman
Ed Badovinac
Sandy Cameron
Catherine Charlton
David Edmison
Duncan Jackman
John Koopman
Bill Laidlaw
Catherine Steele

Honorary Officers

The Nominating Committee is pleased to report that the Honorary Officers nominated for the 1999-2000 season are as follows:

Honorary President
The Rt. Hon. Roméo LeBlanc
P.C., C.C., C.M.M., C.D.
Governor General of Canada

Honorary Vice-President
The Hon. Hilary M. Weston
Lieutenant-Governor of Ontario

Honorary Chairman
The Hon. Henry N.R. Jackman

Honorary Chaplain
The Rt. Rev. Terence E. Finlay

Honorary Secretary
The Hon. David Crombie

Honorary Treasurer
Hartland M. MacDougall, C.V.O., O.C.

Honorary Solicitor
The Hon. William G. Davis, P.C., C.C., Q.C.

Archivist and Historian
Angus Scott

Honorary Directors

It is the recommendation of the Committee that the following continue as Honorary Directors: Leland H. Ausman, Mary. R. Byers, The Hon. Barnett J. Danson, P.C., Major William A. Duncan, C.D., A. Carlyle Dunbar, Montague Larkin, C.A., Angus Scott, Larry Stout, J.A.William Whiteacre, M.M., C.D., Q.C. and William Whittaker, Q.C.

In addition to these the Committee would like to recommend a new Honorary Director: William J. McCormack.

Directors

According to the Club's Constitution "the Board of Directors shall consist of forty members ... including at least four Past Presidents of The Empire Club, one of whom shall be the immediate Past President and three others shall be the three Past Presidents immediately preceding the immediate Past President..."

Therefore, in recognition of this constitutional requirement, the Committee nominates the following Past Presidents as Directors of the Club:

the immediate Past President, George L. Cooke

and also Gareth S. Seltzer, Julie K. Hannaford and David A. Edmison.

Furthermore, the Nominating Committee recommends that the following members of the Board of Directors continue to serve in the coming year:

Edward P. Badovinac
Rev. Kim Beard
S. W. (Sam) Billich
Willis Blair
LCol. A.G. (Sandy) Cameron, O.St.J., C.D., AdeC.
Jocelyne Côté-O'Hara
Fredrik D. Eaton
Blake C. Goldring
Duncan N. R. Jackman
Anne Libby
David J. McFadden, Q.C.
Bart J. Mindszenthy
Kenneth B. Rotman
John Sadler
Margaret Samuel, C.F. A.
L. Douglas Todgham
John H. Tory
Thomas L. Wells
Gwyne Willmot

Resignations

I would like to take this opportunity to pay tribute to Jan Dymond, Marcia McClung, William J. McCormack, Marnie McGarry, Maria Roman-Bricknell and Rose Wolfe who will not be standing for re-election. All have been of great service to the Club and we are grateful to them.

New Directors

Your Nominating Committee is pleased to nominate the following new members for the Board of Directors:

John Koopman
The Hon. Tom Hockin
Lisa Czach
Brig. General Walter Matheson Holmes
David Lindsay

Officers

In addition to the above-mentioned nominees, the Committee recommends the election of the following people who will be proposed to the Board of Directors for appointment to the positions of Vice-President and Director:

1st Vice-President and President-Elect
William D. Laidlaw

2nd Vice-President and Director
Ann Curran

The Nominating Committee is pleased to report that C. Alexander Squires will serve as Secretary and that Diana L. Chant, C.A., has agreed to continue as the Club's Treasurer. Both Alex and Diana will also serve as Directors of the Club. The Club also extends its appreciation to Willis Blair for his years of faithful service as Secretary.

Finally, your Committee is pleased to nominate as

President and Director of The Empire Club of Canada for its 1999–2000 season, Robert Dechert.

Respectively submitted,

Gareth S. Seltzer
Chairman

After Gareth Seltzer presented his report, he moved its acceptance. The motion was seconded by Ann Curran. There being no further nominations, Bill Laidlaw moved that nominations be closed. Fred Eaton seconded the motion.

The President then asked the Secretary, Ed Badovinac, to cast a single ballot in favour of those persons named in the report of the Nominating Committee, in accordance with Article III-3 of the Constitution of the Club.

The President-Elect, Robert Dechert, came forward, was installed as President and received the chain of office from the retiring President, George Cooke.

The President Robert Dechert expressed his gratitude for the confidences placed in him as he assumes his new responsibilities. President Robert Dechert moved, seconded by George Cooke, to approve the signing officers for The Empire Club of Canada for 1999–2000, the Club's 96th year. The meeting was adjourned.

The Empire Club of Canada

MEMBERSHIP 1998–1999

Life Members

N. John Adams
J. D. Alexander
William N. Allan
Graham H. Ambrose
B.Gen. & Mrs. S. F. Andrunyk
Mr. & Mrs. Leland H. Ausman
Ruby P. Avison

Mr. & Mrs. Edward Badovinac
Helen E. Roman Barber
Joseph Batty, OBE
Mr. & Mrs. Ian S. Baxter
D. S. Beatty
M. E. Louise Beck
Dr. R. C. Bennett
Bruce Birrell
Willis L. Blair
R. L. Broad

Mrs. Charles Carter
Sir Arthur R. T. & Lady Chetwynd
Mr. & Mrs. Elgin E. Coutts
John A. D. Craig
Nola Susan Crewe
Dorothy Crummey
Mrs. Matthew Currie

George C. Damiani
Douglas A. C. Davis
Elvio Del Zotto
Mr. & Mrs. D. L. Derry
Robert G. Douglas
A. A. Duncanson
Mr. & Mrs. E. A. Duvernet

Joseph L. Etherington

Dr. David J. Fieldhouse
A. E. Fitzpatrick
Col. C. S. Frost, Jr., Q.C.

Lillian G. Gandier
George Raymond Gibson
J. Rennie Graham
Kenneth G. Graham
Patricia A. Grand
Wayne Scarisbrick Gray
Ian Griffin
John W. Griffin
Rainer E. Gut

George S. Hanson
Nona Macdonald Heaslip
Paul T. Hellyer
Roland E. Henderson, Q.C.
Adam B. T. Hermant
Peter Hermant
John D. Herrick
Col. R. H. Hilborn, LVO, MBE, CD
William S. Hill
Dorothy Hobbs
Dennis Holota
Mrs. E. Howell

A. E. M. Inwood
John F. Irwin

The Hon. Henry N. R. Jackman
Friederich W. Jung

John Kemp
F. Marion Kiddell

James G. Laidlaw
A. T. Lambert
Anne Lato
John V. Lawer, Q.C.
Kenneth Legge
M.Gen. Bruce J. Legge
Eric N. Lehner
Friedrich Lehner
James D. Lewis
Mr. & Mrs. D. D. Lucas
Joseph F. Luciano

John A. & Gail MacNaughton
Ewald P. Mazurek
Fred G. McBrien

John S. G. McCrimmon
F. Y. McCutcheon
James W. McCutcheon, Q.C.
Konrad R. W. Mech
Dr. Herbert Michel
Mr. & Mrs. Edwin Mirvish
D. V. Mosher
Clifford N. Moss

John F. Nagel
James G. A. Naish

Major & Mrs. R. B. Oglesby
Stanislaw T. Orlowski

Norman Pearson, F.R.T.P.I.
B. E. Plain
Dr. Sheila Pollock
D. A. Pryer

Grant L. Reuber
John E. Richardson
Rev. Canon & Mrs. H.F. Roberts
Col. The Hon. R. C. Rutherford

Leo E. Schacter, Q.C.
J. A. Seyfried
Mrs. H. R. Shaver
Samuel V. Shefsky
Dr. & Mrs. W. K. Shultis
James R. Smeed
Mrs. Donald T. (Audrey) Smith
Sam Sniderman, C.M.
Dr. & Mrs. R. F. Stackhouse
G. O. Stafford
Henry J. Stalder
Mr. and Mrs. G. G. Steele

Graham John Tappin
Mrs. Barton F. Teasdale
K. R. Thomson
Leonard I. Turkevics
R. Turnbull
Capt. T. C. Turner, C.D., R.C.N.R.
L.Col. P. J. Tuz, C.M., C.D.

Michael Van Denbossche

Kenneth M. Watson
F. Bartlett Watt
Douglas S. Wells, O.M.C.

Andrew Stephen Zarnett

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Jo-Anne Arh
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Meaghan Atherton

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Brian P. Bellmore
Albert V. Benoit, MVO, CFRE
Wendy Berney
Hal Blackadar
Dale G. Blue
Carol Bongard
Marilynn Booth
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Phyllis Bruce
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Patricia Christie
The Rt. Hon. Joe Clark
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Senator Anne S. Cools
Jane Cooney
Pauline Couture
Dr. Michael C.J. Cowpland
David Crane
Gaetano Cruoi
Bob Culbert

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Timothy S. B. Danson
Dr. Anna Day, M.D.
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Frank Dimant
Wilfred S. Dinnick
The Hon. Charles L. Dubin, O.C., O.Ont.
Virginia (Ginny) Dybenko

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William Eigen III, CFA

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Mary Lou Fallis
W. Robert Farquharson, CFA
John H. Farrell
Anthony Fell
Crystal Fletcher
Kevin A. Francis
The Rev. Dr. Brian Freeland
Malcolm Freeman
Henry G. Friessen, M.D.

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Dr. Riva Gerstein, C.C., O.Ont.
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Margaret Godsoe
Dr. Jack L. Granatstein
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Peter S. Grant
Josh Greenway
Doris Grinspun

Margaret (Grete) Hale
Richard S. Hallisey
Dr. Linda Harasim
Anthony Wm. Harvey
John Hawco
John C. Hayter
Paul Henderson
John Honderich
Susanne P. Hudson
Monte Hummel
Robert J. Humphrey
Alan G. Hutton
Dr. Cameron Hyde

Brian C. Imrie

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R. Scott Joliffe

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Rev. K. Grant Kerr
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Durhane Wong-Rieger
Robert T. Wright

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Carmen Yarley

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R. F. K. Anthony
Bluma Appel
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Auditors' Report

To the Members of
The Empire Club of Canada

We have audited the statement of financial position of The Empire Club of Canada as at April 30, 1999 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Club's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Club as at April 30, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Ontario Corporations Act, we report that in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG
Chartered Accountants

Toronto, Canada
August 13, 1999

Financial Report

THE EMPIRE CLUB OF CANADA
Statement of Financial Position

	Year Ended April 30 1999	1998
Assets		
Current Assets		
Cash and short-term deposits	$354,574	$ 357,368
Accounts receivable	17,145	21,665
Inventory	2,059	2,058
Prepaid insurance	—	1,350
	373,778	382,441
Capital Assets	1	1
	$373,779	$382,442
Liabilities		
Current Liabilities		
Accounts payable	$ 14,266	$ 51,046
Due to The Empire Club Foundation	111,652	106,592
Provision for prepaid membership fees and unredeemed luncheon tickets	5,396	10,970
	131,314	168,608
Net Assets		
Unrestricted	222,888	194,257
Internally restricted for life membership	19,577	19,577
	242,465	213,834
	$373,779	$382,442

Signed on behalf of the Board

Frederic L. R. Jackman
Director

Diana L. Chant
Director

The accompanying notes are an integral part of these financial statements.

THE EMPIRE CLUB OF CANADA
Statement of Changes in Net Assets for the Year Ended April 30, 1999

	Internally Restricted	Unrestricted	Total 1999	Total 1998
Net Assets, Beginning of Year	$ 19,577	$194,257	$ 213,834	$ 185,241
Excess of, Revenue over Expenditures	—	$ 28,631	$ 28,631	$ 28,593
Net Assets, End of Year	$ 19,577	$222,888	$ 242,465	$ 213,834

The accompanying notes are an integral part of these financial statements.

THE EMPIRE CLUB OF CANADA
Statement of Operations

	Year Ended April 30 1999	1998
Revenue		
Membership fees	$ 31,262	$ 34,743
Luncheons		
Regular, net	49,683	38,942
Special	3,550	2,072
Head table sponsorship	63,650	42,860
Other sponsorships	21,900	18,500
Interest	12,652	8,463
	182,697	145,580
Expenditures		
Meetings	630	910
Members' notices	18,935	19,207
Office and general	11,013	14,085
Office salaries and employee benefits	47,302	36,461
Printing, stationery and postage	2,657	3,249
Publicity and promotion	2,290	1,661
Rent	11,389	11,239
Telephone	4,850	5,175
Yearbook donation and sundry expenses	25,000	25,000
Special contribution to the Empire Club Foundation	30,000	—
	154,066	116,987
Excess of Revenue over Expenditures for the Year	$ 28,631	$ 28,593

The accompanying notes are an integral part of these financial statements.

THE EMPIRE CLUB OF CANADA
Notes to Financial Statements
for the Year Ended April 30, 1999

1. *General*

The Club was incorporated under Letters Patent in the Province of Ontario on March 26, 1912. The principal function of the Club is to provide a forum for prominent people to address members of the Club and their guests on topics of current interest.

2. *Summary of Significant Accounting Policies*

(a) Revenue Recognition
Revenues are recorded on the accrual basis of accounting.

(b) Inventory
Inventory is valued at the lower of cost and net realisable value.

(c) Capital Assets
Capital assets, consisting of office furniture and equipment, are recorded at nominal value and additions are recognised as an office and general expenditure in the year acquired. There were no significant additions in the fiscal year ended April 30, 1999.

(d) Due to The Empire Club Foundation
A donation to The Empire Club Foundation for the estimated cost of supplying the Club's membership with the yearbook of the current year is accrued each year.

(e) Deferred Revenue
Deferred revenue consists of membership fees paid in advance and unredeemed luncheon tickets.

(f) Statement of Changes in Financial Position
A statement of changes in financial position has not been included as it would not provide any additional meaningful information.

3. *Internally Restricted for Life Membership*

   Term deposits are segregated as funding for this reserve in order to provide a continuing income stream to sustain the membership costs of life members.

4. *Commitment*

   In November 1997, the Club entered into a lease agreement for premises expiring September 30, 1999. Minimum annual rental payments under this lease agreement for the year ending April 30, 1999 amount to $9, 085.

5. *Comparative Figures*

   Certain comparative figures have been reclassified to conform with the financial presentation adopted in the current year.

The Empire Club Foundation

November, 1999

Ladies and gentlemen,

The 95th year of The Empire Club of Canada, under the presidency of George Cooke, was another great success. The addresses in this yearbook demonstrate this well. Our Club continues to provide a valuable service to members and the much wider audience through radio and television. The speeches themselves are a valuable resource for our members and for those interested in reading or researching the development of our country through the 20th century.

The full index of speeches to the Club since 1903 is available from our web site:

www.empireclubfoundation.com

The yearbook is provided to members as one of the benefits of Club membership. The Empire Club Foundation also donates 1800 copies to public and educational libraries across Canada, and to Canadian embassies.

The yearbook is funded through the generosity of the many members and friends of The Empire Club of Canada. On behalf of the Foundation, I thank everyone who has helped to make this possible.

Sincerely,
Douglas L. Derry, FCA
Chairman

The Empire Club Foundation

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Chairman: Douglas L. Derry, FCA
Honorary Secretary: William G. Whittaker, QC
Honorary Treasurer: Ronald Goodall, FCA
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Badovinac, Edward and Jocelyn
Brooks, Robert L.
Carter, Dorothea
Dunbar, Carlyle
Goldring, Blake
Goodall, Ronald
Irwin, Arnold B.
Jones, Carol A.
Lewis, Reginald W.
Potts, Mr. Justice J.H.
Shuttleworth, N.L.
Stalder, Henry

DONORS ($100.00 to $249.00)

Andrunyk, B.Gen. Stephen
Blair, Willis
Bloeman, Mr. & Mrs. Peter
Budd Canada
Campion, John A.
Duncanson, A.A.
Fisher, Richard
Gill, Joseph
Gotlib, Lorraine
Heath, William

DONORS ($100.00 to $249.00) *continued*

Johnson, Donald
Johnston, James
Kaye, Alex
Lander, Donald H.
Larkin, Montague
Lewis, Trevor
Lowndes, John
Liddle, J. Peter
Lorenz, Wilfred
Lupp, John
Morneau, W.F.
Morton, Murray
Nichols, Dr. Gerald
Oatway, Richard
Pollock, Dr. Sheila
Redpath, Kenneth
Squires, Alex
Squires, Miriam
Stappels, Bredin
Stroud, Larry
Swayze, Gordon
Whitshed Limited
Wilson, R.
Zygocki, Michael

Auditors' Report

To the Members of
The Empire Club Foundation

We have audited the statement of financial position of The Empire Club Foundation as at April 30, 1999 and the statement of operations and net assets for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Foundation derives revenue from donations from supporters, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of expenses over revenue, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at April 30, 1999 and the results of its operations and the changes in net assets for the year then ended in accordance with generally accepted accounting principles. As required by the Canada Corporations Act, we report that in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG
Chartered Accountants

Toronto, Canada
December 28, 1999

Financial Report

THE EMPIRE CLUB FOUNDATION
Balance Sheet as at April 30, 1999
with comparative figures for 1998

	1999	1998
Assets		
Current Assets		
Cash	$ 20,846	$ 10,338
Accounts and interest receivable	2,049	1,690
Due from The Empire Club of Canada	111,652	106,592
	$134,547	$118,620
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$105,896	$ 96,321
Net Assets	28,651	22,299
	$134,547	$118,620

Signed on behalf of the Board

Douglas Derry
Director

Ronald Goodall
Director

The accompanying notes are an integral part of these financial statements.

THE EMPIRE CLUB FOUNDATION
Statement of Operations and Net Assets for the Year Ended April 30, 1999 with comparative figures for 1998

	1999	1998
Revenue		
Donations:		
The Empire Club of Canada	$ 55,000	$ 25,000
Supporters	21,970	31,097
Interest	412	189
	$ 77,382	$ 56,286
Expenses		
Yearbook	55,250	58,353
Database	15,162	26,326
Stationery, postage and other expenses	618	744
	$ 71,030	85,423
Excess of Revenue over Expenses (Expenses over Revenue)	6,352	(29,137)
Net Assets, Beginning of Year	22,299	51,436
Net Assets, End of Year	$ 28,651	$ 22,299

The accompanying notes are an integral part of these financial statements.

THE EMPIRE CLUB FOUNDATION
Notes to Financial Statements for the Year Ended April 30, 1999

1. *The Foundation*

   The Foundation was incorporated on January 22, 1969 under the laws of Canada as a non-profit organisation. The principal function of the Foundation is the publication and distribution of yearbooks, containing the texts of addresses to The Empire Club of Canada, to the Club's members and libraries across Canada. The Foundation's activities are funded by donations.

2. *Significant Accounting Policy*

   The Foundation includes donations in revenue when received except for donations from The Empire Club of Canada, which are included in revenue when pledged. The estimated cost of publishing and distributing yearbooks of the current year is accrued each year.

3. *Uncertainty due to the Year 2000 issue*

   The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Foundation, including those related to the efforts of donors, suppliers, or other third parties, will be fully resolved.

CONSTITUTION

As amended April 26, 1973

Organisation of the Club

ARTICLE I

Name

1. The Name of the club shall be The Empire Club of Canada.

Purpose and Object

2. The purpose and object of the club is to promote the interests of Canada and the British Commonwealth by the consideration and discussion of subjects and events relating thereto and by any other means appropriate to the facilities of the club.

Membership

ARTICLE II

Classes of Members

1. The membership of the club shall consist of:
   (a) Honorary members
   (b) Life members
   (c) Regular members
   (d) Corporate members

   All members of classes (a), (b), (c), must be the full age of eighteen years.

Honorary Members

2. Honorary members may be elected by the unanimous vote of those present at a meeting of the board of directors. They shall be exempt from the payment of fees but shall not have the privilege of voting or holding office and their membership shall be terminated at any time by a two-thirds majority of those present at a meeting of the board of directors.

Life Members

3. Members of the club in good standing (other than corporate members) and other persons regularly proposed may be elected life members by a two-thirds

majority of those present at a meeting of the board of directors. Life members shall pay such a fee in one sum as may be fixed from time to time by the board of directors.

Regular Members

4. Save as provided in Section 5 of this Article candidates for regular membership shall be proposed by a member in good standing and shall be elected by a two-thirds majority of those present at a meeting of the board of directors.

Save as provided in Section 5 of this Article regular members shall pay respectively such annual fees as may be fixed from time to time by the board of directors.[1] Members elected after the first day of March in any year shall pay one annual fee only in respect of the period from the date of election until the thirtieth day of September in the following year. No member in arrears for fees after January 1 shall be considered in good standing.

Corporate Members

5. Any company, partnership or business organisation shall be eligible for election as a corporate member. Applicants shall be proposed by a member in good standing and the application shall contain the names and positions of the persons nominated by the applicant as its representative regular members. The applicant and its nominated representatives shall be elected by a two-thirds majority of those present at a meeting of the board of directors. A corporate member shall be entitled to nominate such number of its representative regular members as may be fixed from time to time by the board of directors and shall pay such annual fee as may be fixed from time to time by the board of directors, provided that such fee shall not be

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[1] *By resolution of the Board, November, 1981, and under Article II, 4, of the Constitution, it was agreed that the club charge a lesser membership fee for spouses living at the same residence, and that this fee should be fixed annually.*

less than the aggregate fees which would have been payable on an individual basis by such representative members for the year in question. Save as in this section provided no fee shall be payable by or in respect of the representative regular members of a corporate member.

Directors

ARTICLE III

Duties and Powers

1. The affairs of the club shall be managed by a board of directors who may exercise all such powers and do all such acts and things as may be exercised or done by the club and are not by the by-laws or by law directed or required to be done by the club at a general meeting of its members. At all meetings of the board of directors the chairman of the meeting shall have a casting vote.

Number and Quorum

2. The board of directors shall consist of forty members of whom sixteen shall constitute a quorum. The board of directors shall include at least four past presidents of the club, one of whom shall be the immediate past president and three others shall be the three past presidents immediately preceding the immediate past president if they are willing and able to act as directors.

Election of Directors

3. A nominating committee consisting of five members of the board of directors and four other regular members of the club shall be appointed annually by the board of directors at least thirty days prior to the annual meeting and shall prepare a list of nominations for directors for the ensuing year. The chairman or acting chairman of the nominating committee shall report the nominations of that committee to the annual meeting at which the board of directors shall be elected, but nothing herein shall preclude the nomination of other persons for the office of directors at the annual meeting. If nominations do not exceed the number of directors necessary, the chairman of the

meeting may instruct the Secretary-Treasurer to cast one ballot in favour of those so nominated and thereupon such persons shall be declared by the chairman to have been duly elected. No person shall be elected a director unless he is a regular member in good standing and is a Canadian citizen or a British subject.

Meetings of Directors

4. Meetings of the board of directors shall be called by the President, or on a requisition signed by three of its members. Written notice of such meetings shall be given to each director five days or more before the meeting is to take place, provided that a meeting may be held at any time if all the directors are present or if those absent have waived notice of or otherwise signified their consent to such meeting being held in their absence or have approved or signified their approval in writing to the proceedings taken at the meeting. The board may appoint a day or days in any month or months for regular meetings, at an hour or place to be named, and of such regular meetings, no notice need be given.

Casual Vacancies

5. In the event of any vacancy occurring in the office of director, the remaining directors may fill the vacancy from among the members for the unexpired portion of the term of office of the person whose office is vacant.

Officers

ARTICLE IV

1. The officers shall consist of an Honorary President, an Honorary Vice-President, a President, First, Second and Third Vice-Presidents, an Honorary Treasurer, an Honorary Secretary, a Secretary and a Treasurer. The board of directors may from time to time elect or appoint such other officers as it shall deem necessary. The President and the Vice-Presidents shall be directors of the club but other officers need not be directors. No person other than the Honorary President and the Honorary Vice-

President shall be eligible for office unless he is a member in good standing. The President shall, when present, preside at all meetings of the members and of the board of directors. During the absence or inability to act of the President, the Vice-Presidents in order of seniority shall act as chairman at such meetings and otherwise perform and exercise the duties and powers of the President.

Appointment of Officers

2. The board of directors shall meet as soon as convenient after their election for the purpose of appointing the officers of the club for the period ending April 30 in the next year but each officer shall continue in office until his successor is elected.

Casual Vacancies

3. In the event of a vacancy occurring in any office the board of directors may fill the vacancy for the unexpired portion of the term.

Honorary Auditor

4. An Honorary Auditor shall be appointed at each annual meeting. An audited statement of the finances of the club for the fiscal year shall be published annually and a copy shall be sent to each member.

Committees

ARTICLE V

1. The following standing committees and the chairman of each shall be appointed by the board of directors as soon as convenient after the election of the board:
   (a) Budget and Finance Committee
   (b) Speaker's Committee
   (c) Membership Committee
   (d) Constitution Committee
   (e) Reception Committee
   (f) Publicity and Public Relations Committee
   (g) Yearbook Committee
   (h) Head Table Committee

   provided that for any year the board of directors may by resolution elect not to appoint any one or more of such committees.

2. The President or the board of directors may from time to time appoint such other committees as may be deemed expedient.

Meetings of Members

ARTICLE VI

General Meetings

1. The club shall hold general meetings weekly, if possible, from October to April, both inclusive, in each twelve months with such intermissions as may from time to time be determined by the board of directors. Special meetings of the club may be called at any time by the President.

Annual Meeting

2. The annual meeting shall be held not later than April 30 in each year. At the annual meeting a report of the year's proceedings and work shall be submitted by the President and this report shall be accompanied by an interim report from the Secretary-Treasurer.

Notice of Meetings

3. Written notice of all meetings shall be given all members of the club before the date on which the meeting is to be held. Such notice shall be sufficient if addressed to the members, and deposited post paid in the post office in Toronto. The accidental failure or omission to give notice to any member shall not invalidate the proceedings at any meeting.

Quorum at Meetings

4. Sixteen members in good standing shall constitute a quorum at any meeting of the club, general, annual or special, and the chairman of the meeting shall have a casting vote.

Limitation of Business at General Meetings

5. No business other than the hearing of the addresses shall be introduced at any meeting of the club by any person

other than the chairman of the meeting, unless it has been submitted to the board of directors and received its approval.

Fiscal Year

ARTICLE VII

The fiscal year of the club shall end on such day in each year as may be fixed by the board of directors but unless so fixed by the board shall end on April 30.

Amendments

ARTICLE VIII

Subject to the provisions of The Corporation Act this constitution may be amended by the board of directors, but unless in the meantime confirmed by a majority of the members present in person at a meeting of the members duly called for that purpose, any amendment is effective only until the next annual meeting of members unless so confirmed thereat and, in default of such confirmation thereat ceases to have effect at and from that time, and in that case no new amendment of the same or like substance has any effect until confirmed at a meeting of the members.

Amendment to By-Law A

The President stated that the Directors at their last meeting had amended the General By-Law of the Club so that the first Vice-President could be designated in the future as first Vice-President and President-Elect. This change was required to be confirmed by the members and accordingly

ON MOTION DULY MADE, SECONDED, AND UNANIMOUSLY CARRIED, it was resolved that the following amendment to Paragraph 1 of Article IV of By-Law No. A be confirmed:

Officers

The officers shall consist of an Honorary President, an Honorary Vice-President, a President, a first Vice-President and President-Elect, Second and Third Vice-Presidents, an Honorary Treasurer, an Honorary Secretary and a Secretary-Treasurer. The Board of Directors may from time to time elect or appoint such other officers as it shall deem necessary. The President, the First Vice-President and President-Elect, the Second Vice-President and the Third Vice-President shall be directors of the Club but other officers need not be directors. No person other than the Honorary President and the Honorary Vice-President shall be eligible for office unless he is a member in good standing.